Banks' black boxes
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FINANCIAL TIMES

Europe's Business Newspaper WEDNESDAY SEPTEMBER 7 1994 D8523A

Pope calls off Sarajevo visit as shells fall

Pope John Paul postponed his planned visit to the Bosnian capital, Sarajevo, tomorrow after failing to win security guarantees from the Bosnian Serbs. The Vatican said the 74-year-old Pontiff did not want to expose Sarajevans to "grave risks" or allow the purpose of the visit to be misconstrued and contribute to tension. The postponement came on a day when Bosnian Serbs fired 11 artillery rounds inside Sarajevo's weapons exclusion zone.

Eastman Kodak, the US photographic products group, sold its clinical diagnostics business for $1bn to US healthcare company Johnson & Johnson. The deal brings Kodak's disposals since June to over $5.6bn. Page 17; Lex, Page 16

Metallgesellschaft shares fall 8%: Shares in the ailing German metals, engineering and chemicals group, fell 8 per cent as investors reacted to reports of possibla moves to strengthen the group's share capital. Page 17

Warrant for Mexican tycoon: Mexican businessman Carlos Cabal Peniche, head of a big banking group and of fruit company Del Monte Fresh Produce, has been charged with fraud. The finance ministry took over his Banca Cremi and Banco Unión and their subsidiaries. Page 16

Lacklustre recovery in Japan: Japan's central bank said a lacklustre economic recovery was under way in the country, hampered by a weak jobs market and a continued declina in corporate investment. Page 5

Hong Kong airport not ready for 1997: Hong Kong admitted that the colony's new airport would not be fully operational by the time British rule comes to an end in 1997. Page 5

US backs Russia's peacekeeping role:

Russia'a role as peacekeeper within the Commonwealth of Independent States won US blessing yesterday. Madeleine Albright (left), US ambassador to the United Nations, approved the role – but she stressed that it was not an ideal solution for settling disputes in the region and insisted it was up to Russia to show that its peacekeeping activities were benign. Page 16

LVMH of France, one of the world's largest luxury businesses, increased interim net profits by 35 per cent to FFr1.26bn ($236m) and said it was on course for full-year profits growth of 20 per cent. Page 17

Jobless in Germany: German unemployment edged up in August after two months of falls, but the federal labour office gave an upbeat assessment of employment prospects. Page 2

Bowater, UK paper group, boosted six-month taxable profits before exceptionals by 15 per cent, helped by a recovery in its packaging and printing businesses. Headline profits rose to £105m ($162.75m) from £103m. Page 18; Lex, Page 16

Coup plotter escaped: Former Cambodian interior minister Sin Song, who was arrested for plotting a failed coup attempt last July, has escaped from custody with several of his guards, information minister Khieu Kanharith said.

Nigerian union suspends strike: Sacked leaders of Nigeria's striking oil unions formally suspended their pro-democracy stoppage.

China spells out nuclear plans: China plans to build more nuclear power plants, especially in boom coastal areas, Chinese nuclear official Shen Wen Quan told a nuclear power conference in Vienna. Shen said four 900MW reactors were planned for Guangdong and two 1,000MW reactors at Liaoning.

The Bank of Portugal lowered banks' minimum reserve requirements to 2 per cent of total deposits from 17 per cent. The move was aimed at making Portuguese banks more competitive internationally.

Anastasia did die with Tsar: Russian experts believe Anastasia, daughter of Tsar Nicholas II, was indeed murdered with her family by the Bolsheviks in 1918. But the remains of two other royal children were not among the bones found near the Urals city of Yekaterinburg in 1991.

Okapi barbeque probe: Copenhagen University is investigating reports that students barbequed the meat of an okapi – a rare giraffe-like animal – which died at the city's zoo when it heard Wagner played at a nearby open air concert.

STOCK MARKET INDICES

FT-SE 100:	3205.4	(-36.1)
Yield	3.92	
FT-SE Eurotrack 100	1371.03	(-9.08)
FT-SE-A All-Share	1687.26	(-0.8%)
Nikkei	20,383.96	(-15.20)
New York lunchtime:		
Dow Jones Ind Ave	3884.91	(-0.68)
S&P Composite	470.33	(-0.66)

US LUNCHTIME RATES

Federal Funds:	4 13/32%
3-mo Treas Bills: Yld	4.664%
Long Bond	99½
Yield	7.536%

LONDON MONEY

3-mo Interbank	5½%	(same)
Liffe long gilt future:	Dec 100 13/32	(Dec 101)

NORTH SEA OIL (Argus)

Brent 15-day (Oct)	$$16.35	(15.925)

Gold

New York Comex (Dec)	$392.2	(391.4)
London	$387.65	(387.2)

STERLING

New York lunchtime:		
$	1.55845	
London:		
$	1.5496	(1.5481)
DM	2.3904	(2.4052)
FFr	8.1946	(8.2402)
SFr	2.8938	(2.0218)
Y	152.938	(153.644)
£ Index	78.5	(78.9)

DOLLAR

New York lunchtime:		
DM	1.54375	
FFr	5.2925	
SFr	1.2945	
Y	98.7	
London:		
DM	1.5426	(1.5602)
FFr	5.2882	(5.35)
SFr	1.2932	(1.3115)
Y	98.695	(99.395)
$ Index	62.5	(62.8)
Tokyo close Y 98.83		

Austria	Sch32	Greece	Dr350	Malta	Lm0.60	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$16	Morocco	MDh15	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.30
Bulgaria	Lw60.00	Iceland	IKr215	Neth	Fl 4.25	Slovak Rp	KSL50
Cyprus	CC1.10	India	Rs60	Nigeria	Naira70	S. Africa	R12.00
Czech Rp	CZK50	Israel	Shk6.90	Norway	NKr17.00	Spain	Pta225
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr16
Egypt	E£5.00	Japan	Y600	Pakistan	Rs40	Switz	SFr3.30
Estonia	EKr 20	Jordan	JD1.50	Philippines	Pes50	Syria	S£50.00
Finland	FM14	Kuwait	Fils.625	Poland	Zl 38,000	Tunisia	Din1.500
France	FFr9.50	Lebanon	US$1.50	Portugal (m'land)		Turkey	L30000
Germany	DM3.60	Lux	LFr65		Esc225	UAE	Dh12.00

Unionists condemn Dublin talks ■ Major refuses to hear DUP protest

Irish PM meets Sinn Féin

By Tim Coone in Dublin, Kevin Brown in London and Jimmy Burns in Belfast

A new era begins: (from left) Gerry Adams, Albert Reynolds and John Hume seal with a handshake their historic meeting in Dublin Reuter

Seventy years of Irish history was turned on its head yesterday as Mr Albert Reynolds, the Irish prime minister, shook hands in Dublin with the Sinn Féin leader, Mr Gerry Adams, and Mr John Major ejected Mr Ian Paisley, leader of the hardline Democratic Unionist party, from a meeting in Downing Street.

Mr Reynolds' meeting with Mr Adams marked the re-emergence of Sinn Féin, the political wing of the IRA, as a mainstream party for the first time since the Irish civil war in the 1920s.

Together with Mr John Hume, the SDLP leader who attended the meeting, they said "We are at the beginning of a new era in which we are all totally and absolutely committed to democratic and peaceful methods of resolving our political problems."

The meeting was condemned by rightwing Conservative MPs and Unionist leaders, who claimed thet Dublin had broken an agreement not to meet Sinn Féin leaders for three months after a permanent ceasefire.

However, Mr Major refused to listen to protests from Mr Paisley, the single most popular Unionist politician in Northern Ireland, during a meeting at Downing Street. As Mr Paisley attempted to read a prepared statement, Mr Major three times demanded an assurance that the DUP leader would accept his word that no secret deals bad been done.

When Mr Paisiey refused to give such an assurance, Mr Major abruptly ended the meeting. Mr Michael Ancram, the Northern Ireland minister, said there would be no furthar meetings until Mr Paisley agreed to accept the prime minister's word.

The confrontation followed a meeting of senior British ministers, chaired by Mr Major, which agreed that the government would continue to demand guarantees of a permanent IRA ceasefire before entering talks with Sinn Féin.

This approach was broadly endorsed by Mr Tony Blair, the Labour leader, and Lord Holme, the Liberal Democrat spokesman on Northern Ireland, marking a bipartisan rejection of the Irish government's desire for fast progress towards talks. Mr Blair said the government was "right to be cautious and not to engage in direct negotiations until a proper period has passed so that we can gauge whether the cessation of violence is indeed permanent."

The British approach contrasted sharply with the Dublin statement from Mr Reynolds, Mr Adams and Mr Hume. They said their objective was to build upon the IRA ceasefire announcement last week and to achisve "an equitable and lasting agreement" for Ireland's future. They appealed to Unionists in Northern Ireland to join in talks.

Mr Reynolds said Mr Major wanted an assurance, "that it is for real that it is over". He said: "I hope that our statement here today representing the sense of the meeting, will indeed help him along that road."

He challenged his critics, saying: "To those people who say 'Why so soon?' my answer has to be – it is never too soon to save a life, and never too soon to stop the killing."

Unionist leaders rsacted angrily to the meeting. Mr David Trimble, the Ulster Unionist MP for Upper Bann, said he was "astonished" it had taken place.

Mr Trimbls said. "For an Irish prime minister to meet with the leader of a subversive organisation who has got his private army intact is really quite astounding."

Republican sources in Belfast said yesterday that the IRA had no intention in the sbort to medium term of being more specific about the meaning of its ceasefire for political reasons.

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Not an issue for compromise, Page 15
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US displaces Japan as most competitive nation

By Frances Williams in Geneva

After eight years as undisputed economic pacesetter Japan has lost its ranking as the world's most competitive economy to the US. It has slipped to third place after Singapore, according to the latest World Competitiveness Report published today.

Three other East Asian nations – Hong Kong, Malaysia and Taiwan – make the top 20 while Italy, with the world's fifth largest economy, comes an ignominious 32nd out of 41 nations assessed – behind Turkey, Colombia and Indonesia. Germany, the highest rated European country, comes fifth.

The rankings, which attempt to measure the ability of a country to outperform its competitors, are compiled annually by the Swiss-based International Institute for Management Development and the World Economic Forum.

This is the first time industrialised and developing countries have been included in the same scoreboard, although China and Russia were excluded for lack of comparable information.

Countries are ranked in eight areas, such as domestic economic strength, infrastructure and management, on the basis of 381 criteria which range from computers per capita to alcohol and drug abuse. About a third of the data comes from a poll of 2,850 business executives worldwide.

The US resurgence is attributed principally to the strong and early economic recovery, conpled with high scores on entrepreneurship, internationalisation and "financial vitality".

Japan's ranking has been hit by the worst economic recession in decades and increasing disaffection with tha political system, although it continues to lead in management and technology.

Second-placed Siogapore, which has consistently topped the competitiveness rankings among developing countries, is rated first for the extent to which government policies help competitiveness, and for the quality of its labour force.

Hong Kong, which came fourth overall, remains handicapped by uncertainties over China's repossession of the colony in 1997.

Germany and Switzerland head a fairly stable European pack. Britain came 14th in the global league but moved up two places in the European rankings (from 11th to 9th) oo the back of deregulation moves and economic recovery.

Italy's performance reflects a gloomy opinion survey due to "the profound disenchantmeot of the Italian people with everything which touches their government or public institutions". On governmeot policies, Italy was rated bottom among the 41 nations.

The latest rankings also show good performances by Chile, Mexico, Argentina and Colombia.

Lean and mean, Page 4

UK calls for technology to identify commercial ships

By Charles Batchelor, Transport Correspondent, in London

The world's commercial shipping fleet could be fitted with automatic identification systems by 2002, allowing coastguard and rescue services to identify vessels and trace ships causing pollution or accidents.

The British government, backed by many other shipping nations, has urged thet ships be required to carry transponders – automatic electronic identification systems – under a proposal to the United Nations' International Maritime Organisation.

The proposal put forward yesterday may run into opposition from shipowners concerned at the cost of installing the equipment required and at what they regard as an infringement of their freedom of the seas.

The equipment could be read from the shore to establish the identity, position, course and cargo of any vessel within range.

Although ships are presently required to carry their name and home port on their hulls, many vessels are in effect anonymous while at sea. Aircraft have carried aotomatic identificatioo equipment for the past 50 years.

The initiative has been prompted by the sinking of a fishing vessel, the Ocean Hound, by an unidentified merchant ship in the English Channel in 1991 and by a recommendation of the UK's Dooaldsoo Inquiry into ship safety earlier this year.

The inquiry said ships should be required to install identification systems which could be read by coastguards at any time without the intervention of the crew. At present the coastguard can call up a ship by radio but some captains refuse to answer.

Growing pressure from governments and pnblic opinion concerned at oil spills and other maritime accidents has led to calls for ships to made more traceabls at sea. Of the 400-450 ships which pass through tha Strait of Dover each day, only 20 per cent can be identified from the shore.

Any system adopted would have to be tamper-proof. A ship's master could switch off a transponder but this would be taken as a sign thet he was attempting to hide something.

The UK Department of Transport has submitted proposals to a meeting in London this week of the IMO's safsty of navigation sub-committee. If it approves the proposal it would then go to the IMO's maritime safety committee in December. But even if the idea obtains IMO backing it could take several years for member governments to ratify the proposal.

The department said it hoped that transpondars would be required on ships of at least 5,000 tons gross tonnage carrying oil, gas or other hazardous liquids from 1999. It would be extended to ships of 500 tons or more in 2001 and to all other ships of more than 300 tons by 2002.

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Monetary chief says European currency is nearer

By Lionel Barber in Brussels

Mr Alexandre Lamfalussy, president of the European Monetary Institute, declared yesterday that EU member states had turned a corner and could realistically consider tbe prospect of a single Europeao currency.

Falling interest rates, low inflation, and close monetary coordinatioo among EU central banks bad substantially reduced currency instability, Mr Lamfalussy said. In one or two years, there could be some "pleasaot surprises" among countries aspiring to join the planned economic and mooetary union.

Mr Lamfalussy's upbeat remarks to the Eurupean economic and social committee in Brussels came ahead of weekend talks among EU finance ministers. Their meeting in Lindau, near Lake Constance, will discuss politically sensitive procedures for dealing with big national budget deficits, one of the most important tests for Emu membership.

Germany, which holds the rotating EU presidency, has signalled it is unhappy with the European Commission recommendation to exclude Ireland from the "excessive deficits" rules. Luxembourg, the only country which meets Maastricht's deficit criteria, is also excluded.

Tbe Commission supports a generous interpretation of the debt rules because Ireland has in recent years beld its annual budget deficit within the Maastricbt target of 3 per cent of gross domestic product. But Germany does not want to create a precedent that will make it easier for countries with bigger debt problems, such as Italy, to become full Emu members.

The EU's secretive monetary committee, meeting in Brussels yesterday, was said to have approved Commissioo proposals for deficit reduction procedures by EU states other than Luxembourg and Ireland.

Mr Lamfalussy steered clear of the controversy over proposals to create a "hard core" of five

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Tietmeyer warns on EU integration, Page 2

Bundesbank president stokes fires of row over 'variable geometry' Union

Tietmeyer warns over EU integration

By Christopher Parkes in Frankfurt and our Foreign Staff

Mr Hans Tietmeyer, Bundesbank president, bas joined the beated debate over the pace and means of European integration with a warning against the dangers of exclusive clubs st the heart of the process.

While arguing strongly for a multi-speed, concentric-circle formation, he said the question had to be eddressed of whether tbis might divide Europe rather than bring lt together.

"Indeed, this danger could arise if countries ready to move into s circle closer to the centre were to be refused access," Mr Tietmeyer wrote in the latest issue of Europa-Archiv, e foreign affsirs magazine. "No circle should regard itself as e closed society."

Mr Tietmeyer limited his list of candidates for circle membership to an unspecified, closely knit group prepared to deepen their bonds quickly, other European Union members, participants in tbe European Economic Area and associated states from central and eastern Europe.

Claiming a single-speed programme would slow progress to that of the lowest common denominator and severely hamper future monetary and political union, he suggested several speeds could reconcile potentlal conflicts between efforts to widen European union and to deepen lt.

"The fear that widening means integration comes to s standstill is based on the idea that each country must take eacb step at the same time. The slowest will then set the pace," Mr Tietmeyer said. "But the logic of this argument will be broken if the multi-speed model is adopted."

Although be evoided the minefield uncovered last week when leading lights of Chancellor Helmnt Kohl's Christian Democratic Union named Germany, France and Benelux as the core members of e "variable geometry" community, his intervention is likely to intensify a row from which Mr Kohl has tried to distance himself.

Mr Wolfgang Schäuble, second only to Mr Kohl in the CDU hierarchy, and e leading proponent of the party's contentious "discussion paper" which started the storm, yesterday repeated that if the pace was dictated by the speed of the "slowest ship in the convoy", union would never come sbont. A etrong core built round France and Germany was necessary, he wrote in the popular Bild newspaper.

Tietmeyer: "No circle should regard itself as closed society"

Mr Tietmeyer's comments coincided with fresh signs of confusion in the German government over the policy document from the Christian Democrats, the dominant partner in the Bonn coalition.

Mr Jürgen Chrobog, political director of the German foreign office, told a meeting on Monday of senior EU officials that the paper was not official government policy. His unusually strong statement was made at the beginning of a regular gathering of political directors in Brussels. It was intended to reinforce efforts by Mr Klaus Kinkel, foreign minister, to distance himself from the CDU paper.

Meanwbile Spain's prime minister, Mr Felipe González, who is abroad, is to seek an early meeting in Bonn with Chancellor Kohl, according to Spanisb press reports. This reflects both his fear that a two-tier Europe could be high on e Franco-German agende when the Maastricht treaty is reviewed in 1996 and his self-appointed role as spokesman for poorer EU partners.

The Spanisb premier has consistently argued that a two-track integration would derail the principle of political and economic union as envisaged by Maastricbt. In order to deflect precisely the sort of policies put forward by the CDU paper, Mr González over the years has championed issues such as European citizenship and cohesion funds for the weaker EU economies.

Meanwhile, the issue has forged an unusual degree of unity between members of the Italian government and opposition. Mr Antonio Martino, the foreign minister, and Mr Piero Fassino in charge of forelgn policy in the main opposition grouping, the former Communist party of the Democratic Left, agreed that EU membership was in the *national* interest and where possible a bipartisan epproach sbonld be adopted to ensure Italy's position was properly defended.

For the first time in public Mr Martino voiced e widely held Italian view that the CDU proposals were announced last week with essentially electoral considerations in mind. But even if this was the case, Mr Martino said the idea of ltaly ln the second lesgue was wholly unacceptable.

in Dublin yesterday, Mr Bertie Ahern, Irisb finance minister, said: "It would be e matter of grave concern if there were to be e tearaway group. Do people want to rewrite the criteria which have been accepted and voted on by tbe entire European Union? Either you fulfil those criteria of you don't. Ireland does."

The Irish government fought – and lost – e five-month battle against devaluation in 1992 and 1993 precisely to keep Ireland's currency aligned to the hard currencies within the exchange rate mechanism on track for early incorporation into monetary union.

In Portugal the governing Social Democrats of Mr Aníbal Caveco Silva, the prime minister, appear to have been embarrassed by the CDU, with which they have been trying to forge strong ties. No one from the prime minister's office or the foreign ministry was prepared to comment on the proposals yesterday.

Germany's job hopes improve and orders rise

By Christopher Parkes in Frankfurt and Antonia Sharpe in London

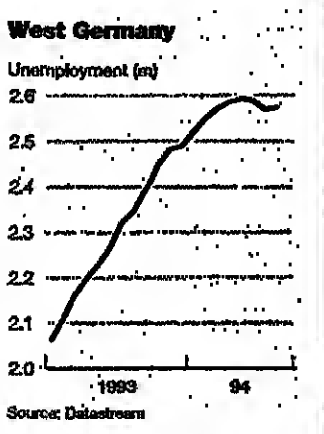
The Bonn government's election campaign was given a furtber lift yesterday by an upbeat assessment of employment prospects from the federal labour office.

Although the west German seasonally-adjusted jobless total rose last month for the first time since May, and the number of long-term unemployed reached a record high, a decline of 71,000 in the unadjusted figure for tbe wbole country was welcomed as "most pleasing" by Mr Berhard Jagoda, labour office president.

The seasonally-adjusted jobless total in tbe west rose 4,000 after falling 18,000 in July, while the unadjusted figure in the east (the only data publisbed) fell 31,000. On the basis of unadjusted figures, the western unemployment rate fell from 8.3 to 8.2 per cent, while the eastern rate declined from 15.1 to 14.7 per cent.

However, the figures failed to support the German government bond market wbere yields on 10-year bonds rose to tbeir bighest level since September 1992. The yield on the benchmark "bund" rose by 10 basis points to 7½ per cent on fears that the rapid recovery in the German economy would prevent tbe Bundesbank from cutting interest rates further.

Mr Jagoda said the usual post-holiday fall in unemployment was far more marked than in earlier years, and the jobs market was responding more quickly to the economic recovery than "experts" had forecast,



Labour office officials said their own budget estimate of 400,000 new benefit registrations this year was no longer valid, and expected furtber improvements as tbe year advanced. The present pan-German unemployment total is some 250,000 higber than a year ago.

August also saw a sharp fall in numbers working short-time and an increase in registered vacancies in both parts of the country.

However, Mr Jagoda said he was concerned that a third of those without work had been jobless for more than a year, and urged companies to take on more employees rather than pay for overtime.

Industrlal order deta for July, also published yesterday, showed the economy was still recovering, although at e more modest pace than in recent months. Manufacturing orders increased by a provisional 0.7 per cent, following e revised 2.8 per cent rise in June. While domestic demand rose 1.8 per cent, foreign bookings slipped by 1.2 per cent. However, overall orders were still 8 per cent higher than in July last year.

The bond market is expecting confirmation of the speed of Germany's economic turnaround tomorrow wben west German gross domestic product data for the second quarter is due to be published. Some analysts forecast e quarter-on-quarter expansion in excess of 1 per cent, which would bring the yearly growth rate to close to 2 per cent.

Chancellor Helmnt Kohl finds time to langh yesterday during a noisy Bundestag session on the 1995 budget AP

Rome split opens up on proposed corruption laws

By Robert Graham in Rome

Proposals by tbe Mllan judiclary to introdnce new lews to cope with corruption are causing serious divisions within Italy's right-wing coalition government.

Yesterday Mr Giuliano Ferrara, *the government spokes*man and minister in charge of relations with parliament, dismissed the action of the Milan jndiciary as an unconstitutional interference in the role of the legislature.

This brought an immediate reply from Mr Roberto Maroni, the interior minister. He claimed Milan magistrates had every right to contribute to solving s delicate national problem.

Mr Ferrara, be claimed with some irony, was speaking as government spokesman bnt not for the government which had yet to pronounce on the matter.

Later, Mr Silvio Berlusconi, the prime minister, weighed in to prevent the matter getting out of hand. He said he understood the motives prompting the anti-corruption magistrates in Milan to suggest new laws; bnt he shared the reserves of several of his colleagues over the jndiciary's direct involvement in politics.

The proposels were advanced by Mr Antonio Di Pietro, Milan's best known anti-corruption magistrate, with the backing of his colleagues at an annual meeting of businessmen over the weekend.

The suggestions centre on providing greater incentives, through plea-bargaining, for people to confess to corruption. The incentives are counter-balanced by stiffer penalties to deter people from being involved in corruption.

The immediate reaction among politicians appeared to be one of relief.

Finding a solntion to the problem of apparently endless prosecutions for corruption has been a most sensitive issue for more than a year. All attempts heve foundered over public unease that the politicians were being too lenient to their colleagues, businessmen and civil servants under investigation. The Milan judiciary has also exercised an effective veto over any legislation it did not endorse. The move seems to be a neat way of sidestepping these hurdles.

The approach was welcomed by the populist Northern League and the neo-fascist MSI/Netional Alliance, two components of the coalition. Mr Berlusconi's Forza ftalia was also supportive. The magistrates' supporters underestimated the strengtb of those who felt the move overstepped tbe institutional role of the judiciary. Mr Ferrara said: "The Milan public prosecutors' office cannot become an agency for making laws. The Milan magistrature has enormous merit but this should not permit its members to exceed their role."

The government is unlikely to take a formal position until the jndiciary presents its proposals to the government.

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Treuhand sale clears way for big energy plans

By Judy Dempsey in Berlin

The ground bas been laid for a massive investment programme in east Germany's energy sector after the Treuhand privatisation agency yesterday completed the sale of the region's electricity sector and tbe biggest brown coalfields.

After four years of negotistions, tbe Treuhand sold Veag, the former east German electricity monopoly, to a west German energy consortium led by RWE Energie, tbe country's largest utility, end whicb includes Beyernwsrk end PreussenElektra. At the same time, *the agency sold Laubag*, tbe giant coelfields which straddle the state of Brandenburg to a consortium beaded by Rheinbraun, the brown coal subsidiary of RWE. Laubag will supply Veag with coal.

Under the terms of the agreement, tbe RWE consortlum will pay DM8bn ($5.1bn) for Veag and invest DM23.3bn ($15bn) until 2012 during which time it will reduce the current work force from 12,700 to 6,700.

Before German unificetion, Vesg employed more tban 29,000 people. The investments *will be targeted on upgrading* existing power stations, introducing strict environmental controls, and building six 800MW power plants in eastern Germany.

The Rheinbraum consortium, whicb paid DM2.1bn for the Laubag fields, has agreed to invest DM6bn until 2015, reducing in the meantime the current workforce from 12,000 to 8,000. Annual brown coal production will range between 50m and 55m tonnes. Until 1989, Laubag was producing about 200m tonnes e year.

The two contracts, signed just weeks before the federal elections, and five days before the state elections in Brandenburg and Saxony, means thet the brown coal industry in eastern Germany will be saved. However, the privatisation of Veag had provoked e bitter dispute between east Germany's cities which had opposed the sale to the west German utilities on the grounds that lt would create a monopolistic structure io the region's energy sector.

The *Stromvertrag*, or electric*ity contract of August 1990* between the two former East and West german governments, stipulated that the regional utillties in eastern Germany would have to buy 70 per cent of their power from Veag over the next 20 years. Despite arguments by the European Union that this contract would extend west Germany's monopolistic energy structure to the east, Bonn was determined to implement the *Stromvertrag* to secure e future for brown coal.

However, the RWE and Rheinbraun *consortia* face a fundamental shift in energy consumption demands in eastern Germany. The collapse of the region's manufscturing base has already led to a fall in brown coal's share of the primary energy market from 62 per cent in 1989 to abont 40 per cent, while natural gas, which enjoyed only e 10 per cent share is expected to increase to about 23 per cent by the end of this decade.

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Russia will seek $4bn more from IMF

John Lloyd reviews Moscow's preparations for the next stage of economic reform

The Russian government is to pusb for e further loan of $4bn from the International Monetary Fund to support the stabilisation of its economy. It argues that its success in bringing down inflation and curtailing tbe budget deficit this year entitles it to move to the next stage of reform.

This initiative, now being discussed intensively within the government, is planned to be launched at the IMF's Madrid summit next month by Mr Victor Chernomyrdin, the prime minister, and Mr Alexander Shokhin, the deputy prime minister for the economy. They will also ask for a 10-year programme of debt repayments to be agreed with the London and Paris clubs of creditors – a normal consequence of an agreement on a stand-by loan.

Government officials and advisers will meet senior IMF officials in Moscow this week in a round of talks aimed st determining Russia's readiness for the next stage of economic reform. "It's at a critical moment; a breakthrongh moment," said one senior western official concerned with Russian reform. "[The government] must avoid any temptation to go for a quick fix. It must be careful not to fritter away the gains it has made but which could so easily be lost."

The IMF mission will examine the performance of the economy and especially the government's plans for next year's budget – due to be presented to the duma (lower house of parliament) later this month. On the results of that examination will depend the disbursement of tbe $4bn, together with other western aid promised but not to be paid until certain criteria are met.

The budget outline calls for inflation to be rednced to 5 per cent a month in the middle of next year and to 2.5 per cent a month by the year's end. Duma members, who passed the 1994 budget with a minimum of debate, are unlikely to be as accommodating this time and a bruising encounter is expected.

The IMF's main concern is that the government has succeeded in observing the tight guidelines agreed five months ago – after the Fund paid out a $1.5bn loan – only by cutting necessary expenditure and issuing promissory notes. However, as western officials admit, the Fund and the Group of Seven leading industrial countries face e hard cboice between insisting on tighter financial discipline and continuing to support reform, even if it is off track.

A senior finance ministry official said yesterday that "the government has complied with the [IMF] programme, and lt is the first time lt has done so". He said that fears of e new explosion of inflation following the extra credits agreed for agriculture and other sectors last month would not be followed by further loosening of financial discipline later this year. Instead, credits would be "nailed down once more".

There are now some clear signs of improvement in the economy, including figures showing that the service sector has leapt ahead, accounting for a larger share of gross domestic product than industrial output for the first time since the early Soviet period.

But mushrooming debts among enterprises and lack of indnstrial restructuring are causing real worry among both Russian and foreign officials – though Mr Chernomyrdin has promised the issue will not be solved, as it has in the past, by bailing out the nominally bankrupt corporations with more credits.

EUROPEAN NEWS DIGEST

Saint Gobain chief indicted

Mr Jean-Louis Beffa, head of the Saint Gobain glass group, was yesterday indicted by a magistrate inquiring into allegations that Pont-à-Mousson, n pipe-making subsidiary, paid a FFr4.4m (£530,000) commission in 1988 to a Nantes politician to obtain s wnter contract there. Saint Gobain said the investigating magistrate, Mr Renaud van Ruymbeke, questioned Mr Beffa for five hours yesterday. "Considering that he had not got certain information from subsidiaries in 'the Nantes affair', Mr Ruymbeke thought it necessary to put the president of the group under investigation," the company said. For more than a year Mr Ruymbeke has been trying to track the commission whicb is said to have reached a Republican party councillor in Nantes via the Swiss bank account of a local industrialist. He has also tried to establish whether any of the money ended up with Mr Gérard Longuet, the trade and industry minister who presides over the Republican party. On the Paris stock exchange, where the lndictment was announced only moments before yesterday's close, Saint-Gobain shares plummeted 28 francs, or 4.2 per cent, to 638 francs a share. *David Buchan, Paris.*

Unions defeat Finnish move

Finland's centre-right government has everted a threatened large-scale strike by withdrawing budget proposals for 1995 that angered the trade unions. The coalition, facing parliamentary elections next March, decided not to propose a reduction in jobless benefits and the ending of tax deductability of union dues. Announcing the changes only e few hours before the draft budget was given to parliament, Mr Esko Aho, prime minister, said the proposals – which would have raised about FM550m (£70.5m) – would be replaced by other measures and that the budget deficit would not grow. The budget sets spending st FM195.6bn, with net borrowing at FM61bn, including extra funds for Finland's prospective membership of the European Union on January 1. Following the government's move, the executive of the 1.1m-member Central Organisation of Finnish Trade Unions said lt would recommend the strike threat be withdrawn. *Reuter, Helsinki*

'Decisive phase' in Bosnia

The Bosnian peace talks are reaching a "decisive phase", Mr Klaus Kinkel, Germany's foreign minister, said yesterday after the "contact group" comprising Russian, Frencb, German, British and US officials held a special meeting in Berlin. Mr Kinkel said the contact group, led yesterday by the beads of the political directorates, must find a way to "bring the Bosnian Serbs on board" and accept the peace plan already agreed by the Bosnian Croats and Moslems. He said time was running out as Washington was considering lifting the arms embargo, and there was pressure from Russia to lift sanctions imposed on Serbia now that President Slobodan Milosevic had apparently severed economic ties with the Bosnian Serbs. Mr Kinkel added that he remained disapppointed that Mr Milosevic had *still not agreed to allow United Nations observers to monitor* the border between Serbia and eastern Bosnia. *Judy Dempsey, Berlin.*

Portuguese bank move

Portugal's central bank said yesterday it would lower the compulsory cash reserve requirement for banks from 17 per cent of customer liabilities to 2 per cent from November 1. The high reserve requirement was introduced in the 1980s as e means of draining liquidity from the banking system and holding down inflation. The reduction will equate Portuguese banks with their European Union counterparts. But existing reserves, estimated et Es2,200bn (£8.9bn), will be converted into special bonds with maturities of 2-13 years to prevent money markets being swamped by newly released funds. Bankers said the immediate effect would be neutral in terms of both remuneration and costs, but banks would be able to employ their funds more profitably over the medium term as the bonds matured. Banks will also be able to use the bonds as contributions to a deposit guarantee fund to be set up by the end of 1994. *Peter Wise, Lisbon.*

Slovak state sales hitch

The Slovak government has postponed final decisions on a range of privatisation proposals, involving state property worth up to Kcs250bn (£5.15bn), originally due to be considered by yesterday. The government is now expected to study the proposals over the next three weeks, before e general election on September 30 and October 1. About a quarter of the proposals involve privatisation through vouchers, which went on sale last Monday. Some projects have already been approved, and the government has said it is committed to pushing through as much of the programme as possible before the election. *Vincent Boland, Prague*

Eurofighter report 'misleading'

Mr Volker Rühe, German defence minister, yesterday told the parliamentary defence committee that a report by the federal audit court which alleged overspending on the four-nation European fighter was "completely misleading" and insisted that the project was on course.

The eudit report has said the fighter is likely to cost DM150m (£62m) e piece, a figure which Mr Rühe rejected. The defence ministry said it was still working to reduce the unit price of the Eurofighter from DM134m, in line with e 1992 agreement between the defence ministers of Germany, Britain, Italy and Spain. German industry most recently said the aircraft could be built for about DM103m, Mr Rühe said. The opposition *Social Democratic party has repeatedly said it will withdraw* from the project if it wins the October elections but some observers are doubtful about the party's pledge because of the number of jobs at stake. *Michael Lindemann, Bonn*

Tirana verdict today

Relations between Greece and Albania will be tested today when s court in Tirana passes sentence on five Albanian ethnic Greeks who are accused of spying for Athens. The trial threatens to trigger e crisis between the two countries. Athens accuses the authorities in Tirana of fabricating the charges in order to intimidate Albania's Greek minority. Since the trial began on August 15, the Greek government has deported some 40,000 illegal Albanian immigrants and blocked European Union financial aid to Albania. Greece has warned that further measures will be taken if the men are found guilty. All five defendants are members of the Omonia political movement which campaigns for Greek minority rights in Albania. Diplomatic efforts to ease tensions between the two countries appear to have failed. A US envoy, Mr Richard Shifter, was sent to Tirana and Athens by President Bill Clinton over the weekend to urge conciliation and encourage the Albanian authorities to drop the case. *James Whittington, Tirana.*

EU in talks with Africans

The first European Union ministerial meeting with the 11 member states of the Southern African Development Community (SADC) ended yesterday in Berlin with broad agreement to set up working groups to promote closer trade, political, regional and economic contacts. However, Mr Festus Mogae, SADC chairman, said it was crucial that tbe EU decide whether it would support South Africa membership of the Lomé Convention, which gives the other SADC countries duty-free access to the Union. Mr Manuel Marin, the Spanish EU commissioner, said the Union wanted to conclude a co-operation agreement with South Africa, but he admitted that there were "problems about whether South Africa would be linked to Lomé". Mr Kaire Mbuende, SADC's executive secretary, said: "South Africa is rich... But South Africa is one of us. It has joined SADC on equal terms. We want South Africa to have relations with the EU. But that should not disqualify it from joining Lomé or its integration into the Southern African states." *Judy Dempsey, Berlin*

Spain seeks liberal moves by Cubans

By Tom Burns in Madrid

The Spanish government hopes that Mr Roberto Robaína, Cuba's foreign minister, will announce a set of deregulation measures for the domestic economy during a six-day visit to Spain from today.

Officials are hoping that, in what would be a significant shift towards a market economy in Cuba, the minister will give a timetable for the removal of curbs on self-employment in Cuba, with an undertaking to close state-owned industries which are no longer viable.

Failure by Mr Robaína to do so could prompt Madrid to rethink its open-door policy towards Cuba.

Employment deregulation is one of several policies that has been pressed on the Cuban government by Mr Carlos Solchaga, Spanish former finance minister, who has visited Havana twice in the past year after an agreement by Mr Felipe González, Spain's prime minister, to provide President Fidel Castro with a senior economic counsellor.

Mr Solchaga, whose representatives have held working sessions in Havana between his trips, has consistently told the Cubans that their critical financial troubles owe far more to their state-controlled economy than to the US economic embargo, which Spain has always opposed.

When it set up Mr Solchaga's mission, Madrid believed a comprehensive package of economic reforms in Cuba would lead to a transition to political pluralism. Cuba is the main recipient of Spanish aid in Latin America, in direct subsidies and export credits. Recent Spanish investment, chiefly in tourism, is estimated at some $200m (£129m).

Even so, the former minister's recommendations have beeo largely ignored and the Spanish government, wary of accusations that it is legitimising Mr Castro's government, now wants to relinquisb its advisory role in favour of a panel of experts from tha Inter-American Development Bank, the International Monetary Fund and the World Bank.

Mr Javier Solana, the Spanisb foreign minister, who met Mr Castro in early August and wlll hold talks witb Mr Robaína today, has hardened Spain's diplomatic language, saying that economic liberalisation alone is insufficient and the Cuban government must take "urgent" and "rapid" steps towards democracy.

Reuter adds in London: The UK government, welcoming recent changes in the Cuban economy, said yesterday it was sending a minister to Havana for the first time in 19 years.

Mr Ian Taylor, trade and technology minister, will make a three-day visit to the island from Monday, with a group of British businessmen, in an attempt to increase UK-Cuban trade.

Cardoso's lead undented by minister's departure

By Angus Foster in São Paulo

Mr Fernando Henrique Cardoso, front-runner for Brazil's presidential election next month, seems to have kept his lead in opinion polls despite the resignation at the weekend of Mr Rnbens Ricupero as finance minister.

According to a poll on Monday, the day after Mr Ricupero stepped down, Mr Cardoso's support slipped from 45 per cent a week ago to 44 per cent, within the margin of error. His main opponent, Mr Luiz Inácio Lula da Silva of the left-wing Workers' Party, remained steady at 23 per cent.

The São Paulo stock market took heart from the poll, and was up 3.95 per cent at noon yesterday, following Monday's heavy selling.

Mr Ricupero resigned after a private conversation was broadcast on satellite TV. During that, he admitted the government was backing Mr Cardoso and using its anti-inflation plan to win him votes.

Mr Cardoso has since been heavily attacked by other candidates who have called such government support unfair and questioned the ethics of his campaign.

The poll, conducted by the Datafolha institute among 10,532 electors, showed Mr Cardoso's support still solid among poorer, less-ednacated voters. However, it also gave some hope to Mr da Silva. Among wealthier voters, Mr Cardoso's support fell by fiva percentage points to 47 per cent. Mr da Silva's backing among these increased by four points to 26 per cent. Mr Cardoso's support also fell in metropolitan areas and in Brazil's more prosperous south.

Mr da Silva's advisers hope this trend will continue as more people become aware of Mr Ricupero's resignation and the reasons for it.

The poll showed Mr Cardoso apt to win the election outright on October 3 because his support still outstrips the combined support of his rivals. However, the poll suggested that, if a run-off between the two top candidates were needed on November 15, Mr Cardoso would gather 57 per cent support, Mr da Silva 30 per cent.

Mr Cardoso's campaign organisrs will also have been pleased to see that support for the anti-inflation plan, and its chief component, the Real currency, has continued to rise and now stands at 80 per cent.

The candidate, when finance minister earlier this year, was responsible for negotiating the plan through Congress and his lead in the polls is largely due to the plan's popularity.

US Congress draft legislation faces logjam

By George Graham in Washington

Powerful industry lobbies in the US, from banks to telephone companies, are anxiously waiting for Congress to return to Washington next week, in order to see which of a wide array of bills will make their way through the legislative mill before members go home again for the elections on November 8.

A broad legislative agenda has been held up by the cumbersome wrangling over healthcare reform legislation,

A wide array of bills has been held up by the cumbersome wrangling over healthcare reform legislation and partisan bickering over the crime bill

which in turn was slowed down, before Congress broke for a summer recess two weeks ago, by partisan bickering over the crime bill.

The crime bill has now been passed, and aides in Congress are now assuming that healthcare reform, if passed at all, will be a more modest package of incremental measures than the monumental overbaul originally proposed by President Bill Clinton.

But the health debate is still likely to take much of the time remaining to Congress, and it is still not clear which other bills will reach the calendar for final votes.

Perhaps the closest to passage is the inter-state banking bill, which would allow banks for the first tima to open branches freely outside their home states. Once inter-state branching had broken free of a long row over whether banks could sell insurance, it seemed to have a clear run. But the conference to reconcile the versions passed by the House of Representatives and the Senate has become embroiled in a battle of Texan egos, with Senator Phil Gramm objecting to a minor provision included by Congressman Henry Gonzalez.

Telecommunications reform has further to go before passage. The House has passed a bill setting out the timetable and conditions for the Bell regional telephone companies to expand from local telephone service, to which they are now limited by a court anti-trust order, into long-distance, cable television and telephone equipment manufacturing.

A similar bill has heen drafted by tbe Senate commerce committee but has not reached the Senate floor. Rancorous battles are expected there over issues sucb as restrictions on the Bells' entry to the cable market. One potential deal-breaker is a requirement that, if the Bells enter manufacturing, they do so in the US and use mostly US-made components, a measure which, the administration has warned, would conflict witb the US obligations under Gatt.

Reform of the Superfund law on the clean-up of hazardous waste sites also faces several burdles before passage. Everyone agrees that reform is needed, but much disagreement remains over whether the specific changes proposed, would be effective. which are intended to reduce the amount of litigation over who should pay for clean-ups, would make things better or worse. While the House Ways and Means committee reached a compromise last month over a crucial tax on insurers to pay for past clean-ups, the Senate finance committee has yet to tackle the issue.

Also pending are bills to reform campaign finance laws, overhaul the 1872 law on mining in government lands in the West, and revisions to tbe Clean Water Act. In addition, ten of the 13 appropriations bills, which in theory must be completed before September 30 if tha government departments they cover are not to lose their spending power, have still to be wrapped up.

Shock waves spread among the powerful

Damian Fraser charts the troubles arising in Mexico from the Carlos Cabal affair

The decision by the Mexican government to order the arrest of Mr Carlos Cabal Peniche, and take over the country's seventh and eleventh largest banks, has sent sbock waves through the country's business and financial community.

Mr Cabal is one of the country's most prominent businessmen and, apart from controlling an important financial group, owns by far the largest agro-business in Mexico. He has powerful friends in the Mexican government, and the move against him is expected to embarrass tbose wbo actively backed him, lent him money, and gave him authorisation to run not one but two banks.

Pedro Aspe: his ministry has taken over banks

A government official said the finance ministry suspects three cases of illegal loans, ranging from $200m (£129m) to as much as $700m, paid from Mr Cabal's banks to his private business interests, mainly involving tbe purchase of Banca Cremi.

However, the official did not exclude the possibility of more cases when a thorough audit was completed.

Tbe government moved against Mr Cabal in part to prevent his imminent purchase of Del Monte Foods, according to the official, with concerns that the near-$1bn transaction would be financed illegally.

Mr Cabal had intended to re-merge Del Monte Foods with Del Monte Fresb Produce, which be and a group of investors bought for about $500m in 1992.

Del Monte Fresb lost money last year, partly because of low international banana prices. The finance ministry says it may claim the assets of Del Monte Fresh if the company turns out to have benefited illegally from its relationship with Banco Unión and Banca Cremi.

The adequacy of Mexico's financial supervision is expected to come under scrutiny, following the charges against Mr Cabal.

The finance ministry gave Mr Cabal authorisation to buy Unión (tben called BCH) in 1991, citing his "administrative experience and integrity." It gave him permission to take over Cremi and, earlier this year, to merge the two banks.

Separately, Nafinsa, the state development bank, financed 25 per cent of Mr Cabal's acquisition of Del Monte Fresh. Mr Cabal's investor group includes current or former governors in tbe Mexican states of Campecbe, Tabasco and Quintana Roo.

The deals were approved despite the fact that Eastbrook, the former US trading bouse, has alleged in a civil suit that Mr Cabal and two former employees of Eastbrook directed more than $70m of loans to Mr Cabal's personal bank account or to shell companies between 1986 and 1991. Eastbrook claims just $30m was paid back.

These financial dealings with Eastbrook, were being investigated until earlier this year by the US district attorney's office in Manhattan. Mr Cabal's lawyer has denied that he was the target of an investigation by the attorney's office.

The Cabal case follows a fraud of more $100m alleged to have been perpetrated by top executives at Grupo Financiero Havre, who are alleged to have created shell companies to borrow mooey from Nafinsa.

With Mexico's banks already suffering from bigh rates of default on tbeir loans, and from intense competition, the latest allegations come at a difficult moment for the financial system.

Officials strongly denied that the Cabal case would have any effect of the Mexican banking system. Tbey said all of Mexico's banks have now been audited over the past eigbt months and that the only ones with suspected serious irregularities were Unióo and Cremi. They said that problems at other banks – of a different magnitude – had been sorted out.

Morgan Stanley, tbe US investment bank, advised Mr Cabal in his planned acquisition of Del Monte Foods. Salomon Brotbers was to have managed an issuance of $150m of high-yield debt on behalf of Mr Cabal, which was registered on August 29 with the US Securities and Exchange Commission.

FARNBOROUGH AIR SHOW

Iata warns Asia on airports congestion

By Paul Betts, Aerospace Correspondent, at Farnborough

The International Air Transport Association (Iata), the airline industry trade organisation grouping more than 200 airlines, yesterday urged Asian-Pacific countries to convene a summit of transport ministers to address the urgent issue of growing congestion at airports throughout the region.

Inadequate ground and air traffic control infrastructure in Europe provoked a crisis in European air transport a few years ago. There was now a risk that a similar crisis could occur in the fast growing Asian-Pacific aviation market, warned Mr Pierre Jeanniot, the Iata director-general, at the Faroborougb Air Sbow in southern England.

Air traffic is continuing to grow faster in the Asia-Pacific region than in any other market. Iata as well as the leading aircraft manufacturers, Boeing and Airbus, are forecasting annual air traffic growth averaging around 7 per cent over tha oext few years in the region, compared with overall world traffic growth of 5 per cent in the same period.

Infrastructure both on tbe ground and the air was coming under "heavy strain" in some areas of the Asia-Pacific region, Mr Jeanniot said. Although a number of new airports were now opening in the area, he said these investments were already insufficient to cope with the expected growth of air travel in the region.

Although Europe had started to address the problem of congestion, more efforts were also needed to harmonise and modernise European air traffic control systems. At the same time, Europe needed more airport infrastructure to cope with an expected increase in European air passenger numbers from 394m this year to 653m by the turn of the century and as many as 1bn by 2010, Mr Jeanniot said. In the longer term, Europe would have to adopt a satellite-based air traffic control management system which would be able to deliver double the capacity and drastically reduce the existing costs of the current European system.

Mr Jeanniot also attacked government taxation policies on air transport, and especially the introduction in November of an airport departure tax in the UK.

"This passenger duty will raise £325m for the UK Treasury. Taxes simply increase airline costs at a time when consumers are demanding lower fares," Mr Jeanniot said.

The new UK airport tax was also attacked yesterday by Sir Colin Marshall, the British Airways chairman, who argued it would distort competitioo because It did not apply to other forms of transport including road, bus, rail and eventually Channel Tunnel high-speed traina services whicb will he competing directly against airline services.

BAe-Matra missile divisions nearer to merger deal

By Bernard Gray at Farnborough

Matra, the French missiles group, said yesterday that it expected uegotiations with British Aerospace over tha merger of their missile interests to be completed by the end of this year. Mr Noel Forgeard, head of Matra Defence and Space, said that such deals were a practical way for the European defence industry to respond positively to the consolidation of US companies.

Speaking at the Farnborough Air Show, Mr Forgeard said that all operatinnal and strategic issnes had been resolved. However, he added that several technical problems remained, inclnding those over differing accounting standards.

It is thought that BAe and Matra have agreed to form a 50-50 joint venture of missile operations. However, as Matra's order book is larger than BAe's, tbe British company will have to pay to gain an equal shareholding in the joint company. Strong disagreements over the size of the payments are also thought to be blocking the deal, which has been under discussion for the past 18 months.

Mr Forgeard said that unlike some defence industry leaders he thought that Europe had to respond to the consolidatinn and cost rednction currently going on in the US industry, but that Europeans also had to be realistic and accept that there were greater barriers to consolidation in Europe.

Companies should accept that pooling Interests into joint ventures, as with BAe-Matra, was a sensible next step, and that greater efforts had to be made to cut costs.

■ Speaking at Farnborongh, Mr Forgeard attacked Sweden's recent decisinn to buy medium-range air-to-air missiles from Hughes of the US rather than Matra. He contradicted official Swedish reports which said that the French missiles were was less capable and more expensive than the US alternative.

ATR commuter aircraft attract $100m of orders

By Paul Betts

The Franco-Italian ATR consortium, Europe's leading manufacturer of turbo-prop commuter aircraft, yesterday announced new orders worth more than $100m for its ATR42 and ATR72 aircraft.

Tbe orders include two ATR72 aircraft, worth around $26m, from the rapidly expanding London-Gatwick based airliner Cityflier Express, a UK regional carrier operating under the British Airways oame under a francbising agreement with BA.

CSA, the Czech airline, also ordered two smaller ATR42 aircraft worth around $22m, while Avianova, an Alitalia subsidiary, placed firm orders for three ATR72 and options for an additional four aircraft, wortb a total of around $90m. The ATR consortium, which is jointly owned by Aérospatiale of France and Alenia of Italy, says the ftalian orders confirmed the boom in regional air traosport currently taking place in Italy. The UK Cityflier order is the first by a UK carrier for the 66-seat ATR72 aircraft. The two aircraft will be delivered in the livery of BA Express.

Franchising is a growing trend in the European airline industry, with small regional nicbe carriers associating themselves with the marketing power and brand of large flag carriers to compete in the liberalised single European airline market.

Cityflier, which already operates five smaller ATR42 aircraft, plans to use its new ATR72s on the London-Gatwick to Dublin routes as well as on its London-Gatwick routes to Düsseldorf, Jersey and Rotterdam.

ATR officials also confirmed yesterday that the group was involved in talks to rationalise a European turbo-prop aircraft industry suffering from intense over capacity.

Aérospatiale, the French ATR partner, has been in negotiations with British Aerospace over tbe possibility of creating a joint venture grouping ATR with BAEs jetstream turbo-prop operation.

Aérospatiale also believes that ATR, which currently has a share of around 53 per cent of the world's turbo-prop market, could become the focus of a broad rationalisation of the European turbo-prop industry, grouping not only BAEs operations but eventually other European producers.

■ Virgin Atlantic Airways is set to add two Airbus A340 long-range, wide-bodied aircraft to its fleet as part of its renewal and expansion programme.

US and Japan struggle to escape the import impasse

By Michiyo Nakamoto in Tnkyo

A 70.3 per cent rise in Japanese vebicle imports last month ahould bring some cheer to US trade representative Mickey Kantor and Japanese trade minister Ryutaro Hashimoto as they meet in Washington today for critical talks on the bilateral framework negotiations.

The Japau Automobile Importers Association yesterday said total vehicle imports were 23,391 last month. Of these 21,297 imported cars accounted for 10.7 per cent of Japan'a overall car sales. Imported vehicle sales for the year are expected to reach 250,000, compared with 201,480 last year.

Ford, arguably the most aggressive exporter, though not the biggest, more than doubled its exports from America last August to 903, while Chrysler achieved a 72 per cent gain from a year earlier to 1,007. The reversal in Ford's fortunes in Japan is precisely the kind of change which the framework talks were designed to bring about.

But there is little hope in Japan that these changes will help to break the impasse in the trade talks by inspiring the US to soften its demands that Tokyo commit itself to ensuring greater foreign imports in certain priority markets.

"There is a recognition in both the US and Japan that the framework talks are the most important in managing the US-Japan relationship. Nevertheless they have dragged on because of US insistence on a results-oriented approach to whicb Japan cannot agree," says a Japanese foreign ministry official.

On defensive: Japanese trade minister Mr Ryutaro Hashimoto

Ever since the two countries agreed to launch the talks, the issue over what the Japanese government will or will not do to help foreign imports penetrate Japan's markets has been the central stumbling block to an agreement aimed at removing a particularly prickly thorn in bilateral relations.

As the fourth Japanese trade minister since the talks began meets his US counterpart, the issue of whether Tokyo will ensure a significant increase in imports of foreign products and services ranging from cars and flat glass to insurance, and in government procurement of medical and telecoms equipment remains a formidable barrier to an agreement.

"The position of both sides is so far apart," concedes an official at Japan's Ministry of International Trade and Industry.

Both sides have agreed that no specific deadline for conclusion of the talks should be set, but on September 30 the US is committed to deciding whether or not to name Japan as an unfair trade partner and start sanctions procedures under the Super 301 trade bill. A US decision against Japan could, in a worst case scenario, lead Japan to break off the talks, Japanese officials have said.

Such an outcome would have serious repercussions on the foreign exchange markets which have severely punished the US dollar on any sign of bilateral discord on trade.

"If there is a real collapse in the talks, I think there will be a sharp rise of the yeo," says Mr Takanobu Igarashi, market economist at Sanwa Bank. "If it is clear there is no road to agreement, the yen, currently around Y99 to the dollar, could strengthen to Y96," he says.

Neither would a discouraging outcome of this week's meetings do much political good for a hard-pressed President Clinton or for the shaky coalition government of Japan's Prime Minister, Mr Tomiichi Murayama.

The optimistic view is that given the risks involved, both sides will work at all costs to avoid a further rift in relations.

Japanese authorities hope the US will agree to work out a partial deal that will at least enabla the two to avoid a showdown and continue negotiating in areas where significant differences remain, notably cars and car parts.

Agreement could be reached on insurance and government procurement, wbich would send a positive signal to the rest of the world.

"It is difficult to expect a comprehensive agreement but the impact on world markets is so huge that we cannot afford a collapse," says a Miti official.

But on the vital issue of government procurement, tba main point that precludes agreement is again whether or not Tokyo will commit itself to a "significant increase" in foreign penetration or whether It will be allowed to get away with a promise of "change".

The danger is that, given the incentive to reach some kind of agreement and avoid a further fall-out, the issue will be resolved by simply fudging the wording so that each side can read the agreement in a way that suits their purposes.

Tokyo probes alleged cartel

By Michiyo Nakamoto

The Japanese Fair Trade Commission yesterday launched an investigation into more than 20 Japanese trading companies suspected of forming a cartel to decide which companies should win government contracts for overseas development aid projects.

The FTC investigated the offices of leading companies, including Mitsubishi Corp, Marubeni and Itochn among others, citing a possible breach of Japan's fair-trade laws.

The raid, which comes as top-level US and Japanese negotiators meet for talks concerning how to open Japan's markets to more foreign goods and services, is likely to support US allegations of Japan's widespread unfair trading practices which prevant foreign companies from winning a fair share of business.

The suspicion of bid-rigging also coincides with recent US interest in winning more business stemming from Japanese overseas development aid, the largest in the world.

Last year, Japan's ODA topped the international aid league for the third consecutive year at $11.3bn, followed by the US with $9bn.

Of that amount, approximately $8bn was bilateral aid to specific countries, as opposed to aid given to multilateral organisations.

Of Japan's bilateral aid, 83 per cent is untied and bids are open to foreign as well as Japanese companies. Most untied aid comprises yen loans which are directed towards large infrastructural projects such as the construction of dams.

The latest allegation of cartel activity involves the remaining 17 per cent of tied aid, about $20bn, which is grant-in-aid. For reasons of convenience, bidding for projects carried out on untied aid is open only to Japanese companies, mainly because the time span for conducting the bid and completing the project is usually restricted to one year.

Companies involved yesterday expressed surprise at the FTC investigation. "We don't know what it is about so we don't have any comment," a Mitsubishi representativa said.

Australia and Japan will push for a free trade pledge at the next summit of the Asian Pacific Economic Co-operation Forum in Indonesia in Nnvember, writes William Dawkins in Tokyo.

Mr Paul Keating, the Australian prime minister, said yesterday at the end of a four-day visit to Japan, Australia's largest trade partner, that he thought Japan wanted "to see a commitment to trade liberalisation in the region".

Mr Keating's announcement came after talks with Mr Tomiichi Murayama, his Japanese counterpart. The Australian leader gave firm backing for Japan's attempt to become a permanent member of the UN security council.

In return, Mr Murayama promised Australia that it would not be excluded form any trade accord between Tokyn and Washington, believed to be the first such guarantee from a Japanese prime minister, said Australian officials.

US super-salesmanship discounts human rights

By Tony Walker in Beijing and Nancy Dunne in Washington

When the dust settled on last week's whirlwind business mission to China led by Mr Ron Brown, the US commerce secretary, it was clear that a fractious Sino-US relationship had been jolted in new directions far removed from the human rights preoccupatioos of the early days of tbe Clinton administration.

While critics looked askance on Mr Brown's old-fashioned cheer-leadiog oo behalf of American companies, tbe US official was proclaiming a "new era" in Sino-US relations. "Commercial diplomacy" would now be paramount in guidiog a difficult relationship.

After fiddling over China policy for its first year, the administration appears to have decided that, in spite of its misgivings about human rights abuses, it would have to compete more aggressively with its competitors in Europe and Asia for a share of the world's fastest growing market.

How far Washington's emphasis on super-salesmanship will prove compatible with other objectives in its relations with Beijing remains to be seen.

At one point io a speecb organised by the US-China Business Council, Mr Brown sounded more like a football coacb than a government official. "We intend to compete in this market, and we intend to win," he said to applause from hundreds of American husinessmeu, including the cbief executive officers of 25 large corporatioos. Some of these corporation beads had signed deals with the Chinese contributing to a $6bn package of contracts and memoranda of understanding concluded during the Brown visit.

It is hard to imagine a Republicao administratioo embracing with greater enthusiasm commercial possibilities in China. Mr Clintoo, who had accused Mr George Bush of "coddling dictators" in Beijing, has clearly undergone something of a cbange of heart since heady days oo tbe presidential campaign trail.

BROWN'S BOOTY: the main deals in china

US Secretary of Commerce Ron Brown

Company	Venture	Amount
Wing Group	LNG-fuelled power plant: joint venture	$ 2,200m
AES Corp	Power generation: joint venture	$ 1,500m
Entergy Corp/ Lippo Group	Power plant extension: memorandum of understanding	$ 1,000m
AT&T	Telecommunications: contract	$ 500m
Westinghouse	Power turbines and other equipment: contract	$ 450m
General Electric	Power plant extension: joint venture	$ 220m
TRW Inc	Television de-scramblers: contract	$ 100m
TRW Inc	Engine valves: memorandum of understanding	n/a
IBM Inc	Data network: joint venture	$ 20m
Pitney Bowes	Postal equipment: contract	$ 20m
Sprint	Information systems: contract	$ 2m

Source: FT

In Hong Kong, Mr Robin Munro of Human Rigbts Watcb/Asia said tbe Brown mission "vividly symbolises tbe drastic downplaying of human rights issues in US foreign policy. Basically, China bas won bands down oo human rights."

But defenders of the Clinton's administration's new approach to China say that critics bave misconstrued tbe purpose of tbe Brown mission, and misrepresented American policy. They note that during the presidential campaign, Mr Clinton undertook to place commercial issues at the centre of foreign policy concerns.

This approach had yielded the successful completion of negotiations oo the North American Free Trade Agreement (Nafta), and the Uruguay Round which had cleared the way for the establishment of the World Trade Organisation, the successor to the General Agreement on Tariffs and Trade.

The Clinton administration had been edging away from the crude weapon of Most Favoured Nation privileged trade access to the American market ever since a review of China policy in the second half of last year resolved to "halt the downward spiral" of Sino-US relations. The disastrous visit to China in March of Mr Warren Christopher, the US secretary of state – China marked the occasion by harassing dissidents – added further impetus to moves within the administration to "de-link" human rights from annual MFN renewal.

Mr Clinton's announcement on May 27 that he was renewing MFN more or less unconditionally – token sanctions were retained – was the culmination of the policy review begun in the middle of last year.

But administration officials insist that in spite of charges that the administration has "flip-flopped" in its China policy there remains ample scope for a tough and principled stand on trade and other issuas, including human rights.

These officials note that China and the US, whose trade reached $39.3bn last year, are locked in difficult discussions on a range of questions. These include intellectual property rights (IPR) infringements; arguments over such issues as the transfer of missile technology; textile quotas; imports of agricultural products; access to China for service organisations such as banks; and Gatt.

Washington announced in June that China had heen placed on "priority watch" for six months under special 301 congressional legislation over continuing IPR abuses. US officials in Beijing say that while China has armed itself with the necessary rules and regulations to deal with infringements, anforcement is lax.

But in the end the real test of US resolve in its dealings with China will come in negotiations on Beijing's application to re-join the Gatt. The US has been the harbinger of a tough stance on conditions for China's Gatt entry, arguing that a fast-growing economic power should be obliged to pay a substantial price for admission.

US negotiators insist that China be obliged to accord tha same market access privileges to its fellow Gatt members as those it will receive itself. Beijing is arguing, however, that because China is a developing country it sbould be granted special privileges for a lengthy transition phase.

Lean and mean, but is it fair?

Frances Williams questions a world competitiveness rankings report

The world competitiveness rankings represent a bold if not necessarily accurate stab at identifying what makes an economy successful.

This year for the first time, the compilers of the annual Wnrld Compatitiveness Report*, the Internatiunal Iustitute fnr Management Development (IMD) in Lausanne and the Geneva-based World Economic Forum, bave produced a consolidated ranking of 23 rich and 18 poor nations. This has proved both fascinating and puzzling.

It may come as no great surprise to see the US displace Japan as the world's most competitive economy. But does it really make sense to rank Singapore, with a population uf less than 3m, above economic heavyweights such as Japan or Germany?

Part of the prohlem relates to the desire to be fair to small economies. The report chooses to define competitiveness as "the ability of a country or a company to, proportiunally, generate more wealth than competitors In world markets".

But, by basing the definition on the idea of global rivalry, the implication is that countries become a bigger "threat" the higher their position. The rankings show East Asia already a competitive force to be reckonad with and tbe emergence of a "second wave" of competitors from Latiu America.

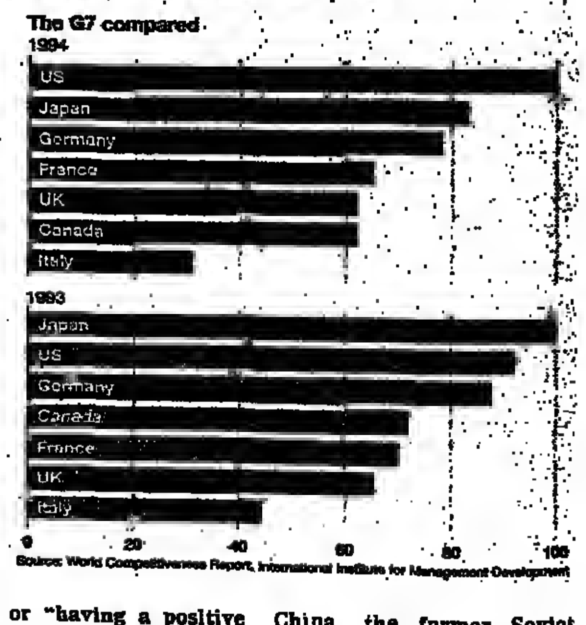
At an individual level, however, the 1994 scoreboard produces some odd results. For instance, Colombia (30th) is considered more competitive than Italy (32nd), even though Italy is a Group of Seven member with the world's fifth largest economy and many companies of world renown.

Competitiveness: a 'fascinating and puzzling' ranking

World standing 1994

1 US	22 Chile
2 Singapore	23 Thailand
3 Japan	24 Korea
4 Hong Kong	25 Spain
5 Germany	26 Mexico
6 Switzerland	27 Argentina
7 Denmark	28 Portugal
8 Netherlands	29 Turkey
9 New Zealand	30 Colombia
10 Sweden	31 Indonesia
11 Norway	32 Italy
12 Austria	33 Philippines
13 France	34 India
14 UK	35 South Africa
15 Australia	36 Czech Republic
16 Canada	37 Greece
17 Malaysia	38 Brazil
18 Taiwan	39 Hungary
19 Ireland	40 Venezuela
20 Finland	41 Poland
21 Belgium/Luxembourg	

The G7 compared



Source: World Competitiveness Report, International Institute for Management Development

Arguably, the rankings are too dependent on short-term factors – for instance, the country's position in the economic cycle – and on the inevitably Impressionistic results of an international survey of businesa executives which accounts for a third of the data used. (Only 2,851 questionnaires were returned out of 16,500).

The US ascendancy over Japan largely reflects its early economic recovery while Japan has yet to emerge from its deepest recessinn in decades.

Other problems arise with the choice of the 381 criteria, availability of comparahle information and the way data are combined to prodnce the overall rankings.

What does it mean wheu business executives classify people in their country as "lacking energy and enthusiasm" or "having a positive attitode to life"? Interestingly, the most "positive" nations turn out to be Hong Koug, Korea, Singapore, Ireland and Malaysla, with Colomhia in 8th place.

The most lacking in energy and enthusiasm among the 41 countries rated are, from bottom, the Czech Republic, Hungary, South Africa, Poland and Venezuela. Britain ranks 35th.

Discussing the implications for changing competitiveness in a glohal economy, the report is In two minds. Prof Stephane Garelli, director of the World Competitiveness Project, warns that market opening will tempt many industries to relocate In countries with low-cost labour. Industrialised nations employ 350m people at an average hourly wage of $18, he says. But industry has access to huge new markets such as China, the fnrmer Soviat Uninn, India and Mexico, with a labour force of 1,200m paid on average less than $2.

"Today, an outflow of manufacturing operations from western economies seems inevitable," be says. Even more gloomily, he predicts service jobs will soon follow.

Prof Thomas Vnllmann, also of IMD, takes a different view. "There is a common misunderstanding that competitiveness In manufacturing depeuds heavily on labour costs. For most products this is simply not the case". What is needed is "enterprise transformation" directed at establishing market dominance, not indiscriminate cost-cutting. "Lean and mean is too often anorexia," he says.

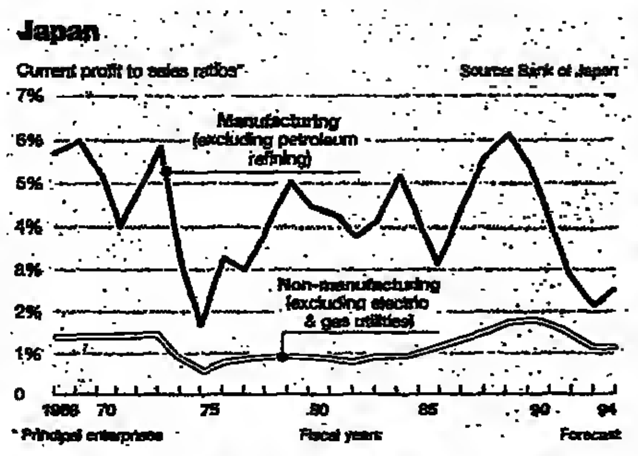
● *World Competitiveness Report 1994. Available from IMD, CH-1007 Lausanne, fax 41 21 618 0707, SFr800.*

Lacklustre recovery under way in Japan

By William Dawkins in Tokyo

A lacklustre economic recovery is under way in Japan, hampered by a weak jobs market and a continued decline in corporate investment, the Japanese central bank reported yesterday.

Businesses are slightly more confident than they expected to be last spring, stocks of unsold inventories are falling, and companies are finding it easier to borrow money, ths Bank of Japan'a latest Tankan quarterly survey of business conditions reveals.



The survey "shows economic recovery quite clearly," said Mr Yasushi Mieno, central bank governor. But Mr Kagehide Kaku, head of the central bank's research and statistics department, added: "This backs our judgment the economy is heading to recovery, but falls short of brushing out economic fragility."

The lacklustre upturn depicted by the most authoritative indicator of Japan's short-term economic outlook is expected to lessen the central bank's inclination to tighten monetary policy, motivated by its fear of repeating the runaway rise in asset prices that foreshadowed the recession. Government bond prices strengthened in response.

It fuelled speculation in Tokyo that the government's Economic Planning Agency would declare an official end to the three-year recession when it publishes its monthly economic report on Friday.

The Tankan index of big manufacturers' business confidence improved from -50 in the previous review to May, to -39 in August. The index records the change in the balance of companies citing a better and worse business outlook, from a sample of 10,000 businesses.

It continues the improvement shown in the previous survey in May, the first upturn in confidence recorded by the Tankan for five years. This suggests the recession touched bottom for the survey in the final quarter of last year.

The balance of businesses reporting excessive inventories fell from 23 in May to 17 in August, while the ratio of those reporting that banks' lending stance was getting easier rose from 17 to 19 over the same period.

But the balance of companies with surplus employees remains high at 25, compared with 26 in May. Another disappointment is that leading companies plan to cut capital investment by 3.8 per cent this year, only slightly less bad than the 3.7 per cent reduction forecast in May. Small businesses are even more cautious, forecasting a 14.3 per cent investment fall this year.

The recovery will be fragile and uneven, according to yesterday's review. Manufacturers expect a sharp profits rise this year, led by exports to the recovering economies of the US and Europe and helped by a moderate riss in domestic demand. But poorly-competitive service companies think profits will fall again, squeezed by increased competition.

For large manufacturers, that means a forecast 16.1 per cent rise in profits this year, better than the 14.9 per cent expected in the previous survey, and a sharp turnround from their 26.3 per cent profits decline last year. They forecast a small rise in sales this year, 0.3 per cent, reflecting a fall in prices.

Large ssrvice companies believe profits will fall 5.1 per cent this year, slightly worse than the 5 per cent decline they were expecting in May and much worse than the 17.9 per cent earnings decline they recorded in 1993.

HK airport 'not ready for 1997'

The Hong Kong government yesterday admitted for the first time that the colony's multi-billion dollar airport would not be fully operational by the time British rule comes to an end in mid-1997, Simon Holberton reports from Hong Kong.

Mr Hank Townsend, chief executive of the Provisional Airport Authority, the government corporation responsible for the building of the airport, said contracts to build the terminal building and services would not be finished until mid-way through 1997.

Award of these contracts, which have a combined value of about HK$8bn (£670m), was taken a step closer on Monday when the PAA said 16 international consortia of construction companies had qualified to bid.

China appears to have balked at a UK request to approve financial agreements between the Hong Kong government and the PAA and the Mass Transit Railway.

China wrings 'water' from statistics

By Tony Walker in Beijing

There are lies, damned lies and, it seems, Chinese statistics.

The China Information newspaper has reported that in 1993 alone there were 60,000 cases of "false statistics" reports in 30 provinces, regions and cities.

A recent statistics supervision conference held in Qingdao, south-east of Beijing, was told there was "a lot of water" in industrial output reports, that birth statistics were frequently understated and grain stockpiles were often exaggerated. In an effort to guard against false reporting, a 1984 "Statistics Law" is being strengthened to include penalties for falsifying records. Among the main culprits are government officials seeking to add lustre to their performances as local administrators.

Mr Li Gang, deputy director of the Policy and Law office of the State Statistical Bureau, said problems arose because "grassroots officials needed to fulfil productioo as well as birth control quotas in order to retain their positions or get promoted". "Serious cases are under investigation," he added. "Those who add 'water' to the statistics will be punished according to the law."

He said problems of false statistics had become more prevalent in this transition phase in the Chinese economy from a centrally-planned system to a market-oriented one. "When the (1984) law was being drafted there was basically only one economic structure in China. Today there are several economic systems."

But false and exaggerated statistics are nothing new in China. During the Great Leap Forward of the 1950s agricultural productioo figures were wildly exaggerated to conform witb overheated propaganda about the success of the communist system. In reality the Great Leap was a disaster and millions are believed to have starved to death as China's communist rulers were proclaiming the triumpb of the system.

Western economists in Beijing say they approach Chinese statistics warily, but inflation figures appeared to be a reasonable reflection of price trends; although the "collection methods (of statistical information) is not what we would expect in the west," said one.

The Qingdao conference heard that the two worst-offending provinces were Hebel and Shanxi in the north where 20,000 cases of falsifying records had been uncovered in 1993. In one county in Hebei province the birth rate had been under-stated by half to avoid censure over the failure of local officials to curb population growth.

Among the most prevaleot examples of false reporting in Hebei and Shanxi was an over-statement of per-capita income of peasants. This was to avoid revealing the extent of impoverishment and allied to that the failure of local official to improve living standards.

In other areas, such as the wealthier coastal regions, peasant incomes were under-stated to minimise tax.

Speakers at the Qingdao conference criticised the present law which lacked "teeth" to punish violators; did not give representatives of the central State Statistical Bureau the automatic right to "audit" local statistics; and was inadequate for the requirements of a rapidly evolving market economy, especially in the monitoring of a fast-growing private sector.

Philippine energy chief quits

Mr Delfin Lazaro, Philippine energy secretary credited with resolving the country's chronic electricity shortages, has resigned, Presideot Fidel Ramos said yesterday, Jose Galang writes from Manila.

The resignation, from September 20, came on the eve of Mr Ramos's trip to Europe and the public listing today of Petron Corporation, which Mr Lazaro had steered to privatisation.

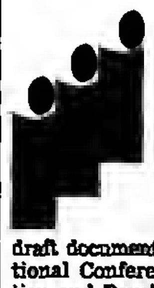
Mr Ramos said Mr Lazaro was leaving "because he has done his job and has fulfilled his commitment". He is known to have offered to resign as early as last June, reportedly because of conflicts with other energy officials.

Mr Lazaro was given emergency powers in 1992 to tackle an energy crisis responsible for 10 to 12 hour daily rationing. Businesses losses ran to about 7bn pesos (£172m) a month. With the aid of emergency powers granted by Congress, the governmeot was able to skip bureaucratic tangles and gave priority to "fast-track" power stations.

Mr Lazaro will be replaced by Mr Francisco Viray, president of the state-run National Power Corporation, which owns most of the country's generating capacity.

Consensus near on abortion draft

By Mark Nicholson in Cairo



European and US delegates said last night they hoped to clinch by today an effectivs consensus on one of the most controversial passages on abortion in the draft document of the International Conference on Population and Development, despite sustained Vatican opposition.

Approval of the section, which urges governments to "deal openly and forthrightly with unsafe abortion as a major public health concern" would be a victory for western and other participants at the conference, determined to win the broadest possible conseosus behind its final document.

Many such representatives also believe the religious row over abortion which has dominated the meeting threatened to obscure the thrust of the document, which aims to provide a broad-based global programme for populatioo stabilisation into the next century.

Mr Tony Baldry, British foreign office minister, said "very considerable progress is being made", on the text, adding that be believed the controversial language would win approval during last night's session. EU delegates said a version of the text already contained in the draft, and which states that "io no case should abortion be promoted as a method of family planning" was winning "broad consensus".

Both Mr Baldry and Mr Timothy Wirth, US assistant undersecretary for global affairs, said progress had also been made in talks with Islamic and Roman Catholic countries in agreeing on language which had been interpreted as condoning bomosexuality and advocating adolescent and extra-marital sex.

Passage of the contentious abortion text would, however, be only the first round in what most delegates believe will be tough negotiations in the next few days. The Vatican yesterday issued a stateoent in which it repeated its absolute objection to abortion, saying that while it recognised many women suffered "difficulties" in pregnancies, "such difficulties do not warrant the violation to the right to life".

The Holy See "cannot give explicit or implicit support to those parts of the document regarding abortion," the statement said. Vatican delegates were yesterday busy on the floor of the main committee room rallying opposition to the text. "They were yanking out Catholic delegates and getting them in a corner – there was a lot of strong-arm tactics," said one African delegate.

Syria warns Israel over Golan

By Roger Matthews, Middle East Editor

Syria warned Israel yesterday that it was a waste of tima to talk about a partial withdrawal from the occupied Golan Heights, and said no Middle East peace agreement would last unless it was fair, balanced and comprehensive.

Mr Farouq al-Shara, Syrian foreign minister, on an official visit to London, accused Israel of trying to gain as much as possible from the negotiations, while seeking to deny Arab aspirations. "Such an unbalanced solution would not survive. It would be a truce, not a lasting peace," he said. Total Israeli withdrawal from the Golan area had to precede the normalisation of relations, be insisted. "Yon cannot have normal relations while your land is still occupied."

Israel has demanded Syria provide evidence of its pledge to establish full diplomatic relations before it would indicate how much of the Golan it was willing to withdraw from. But Mr Shara warned that the longer it took Israel to pull out of the Golan, the longer would be the delay in establishing normal relations.

He hit out at Mr Yassir Arafat, Palestins Liberation Organisation chairman, and King Hussein of Jordan for "killing" tbe joint Arab approach to peace negotiations by signing separate agreements with Israel. "King Hussein participated in killing the Arab co-ordination, but it was Arafat's Oslo agreemeot which made him do it," Mr Sbara said. Unless the West wanted a resumption of the civil war in Beirut there was no question of Lebanon signing a separate deal witb Israel.

During talks with Mr Douglas Hurd, UK foreign secretary, Mr Shara appealed for an end to the European Union's arms embargo against Syria and for a more active European role in the peace process. Syria was still optimistic about an eventual agreement, be added.

Poor car sales to private buyers deflate fears of inflationary consumer boom

Data signal investment upturn

By Gillian Tett and Kevin Done

The increasingly healthy nature of the UK economic recovery was highlighted yesterday, after official figures showed that manufacturing output rose to its highest level for almost four years in July.

With much of this growth coming from factories producing raw materials for industry and goods for investment, the data provided further hints that economic recovery is increasingly shifting away from consumer spending and towards a more investment driven upturn.

Meanwhile, in a development that suggested that there is little sign of an inflationary consumer boom in sight, industry figures yesterday showed that car sales to private buyers were well below expections in August.

Mr Eddie George, governor of the Bank of England, and Mr Kenneth Clarke, chancellor of the exchequer, will meet for their regular monthly monetary meeting today and are expected to discuss whether base rates should rise to curb inflationary pressures generated by this growth. But in spite of City assumptions that interest rates will rise this year, tha recent benign economic data has left analysts increasingly doubtful that rates will change today.

The Central Statistical Office yesterday said that manufacturing output rose by a seasonally adjusted 0.4 per cent in July, compared to June, and now stands only 2 per cent below its last peak in March 1990. Measured on a three monthly basis – a better guide to the trend – output rose 1.3 per cent in the three months to July, compared to the previous three months, This yesterday led the CSO to revise its trend estimate for the annual growth rate to 5 per cent, up from the 4.5 per cent growth previously estimated.

However, the level of overall industrial production, which also includes the utilities and energy sectors, remained unchanged in June compared to July. The reason for this was that manufactnring growth was offset by a fall in North Sea production due to maintenance work, according to the CSO.

The Treasury yesterday welcomed the data and noted thet whereas the consumer sector had previously provided much of the economic growth, the investment and raw materials sectors were now ontpacing the consumer industries.

Investment goods output grew 0.7 per cent in the three months to July, compared to the previous three months, with a strong performance from the electronics sector. The output of the intermediate goods sector, which provides fuel and materials for industry, grew 2.7 per cent in this period. Consumer industries' output, however, grew by only 0.4 per cent, with falls recorded in cars and clothing.

This weaker performance was echoed yesterday by figures that showed thet new UK car registrations in August, the most important new car sales month of the year, rose by only 2.8 per cent year-on-year to 452,566.

The total was well below earlier motor industry forecasts for registrations of 475,000 to 500,000. By contrast registrations of new commercial vehicles rose last month by 19.9 per cent year-on-year.

"The underlying confidence of many private customers remains fragile," said Mr Ernie Thompson, chief executive of the Society of Motor Manufacturers and Traders.

Asthma seen as danger in workplace

By Clive Cookson, Science Editor

Asthma is an increasingly serious occupational illness, with more than 1,000 workers developing the disease every year in Britain, scientists from the Health and Safety Executive told the Britisb Association meeting.

The HSE unveiled a twofold strategy for fighting occupational asthma: new guidance for employers to control "sensitisers" that cause the disease, coupled with research to develop tests for quick diagnosis of asthma in the workplace.

Dr Andrew Curran, a senior HSE scientist, said exposure to sensitisers at work was causing asthma in increasing numbers of people who had never suffered from the disease in childhood.

Asthma results from a combination of genetic susceptibility and environmental exposure. For reasons that scientists do not understand, it is becoming more common among the general population as well as in the workplace.

"Occnpational astbma doesn't just cause a bit of a wheeze and a cough," Dr Curran said. "It can be completely debilitating, causing a significant reduction in the quality of life in those who suffer from it, and in extreme cases it has been known to cause death."

Two hundred different substances are known to cause occupational asthma. They fall into two broad categories, according to Dr Curran.

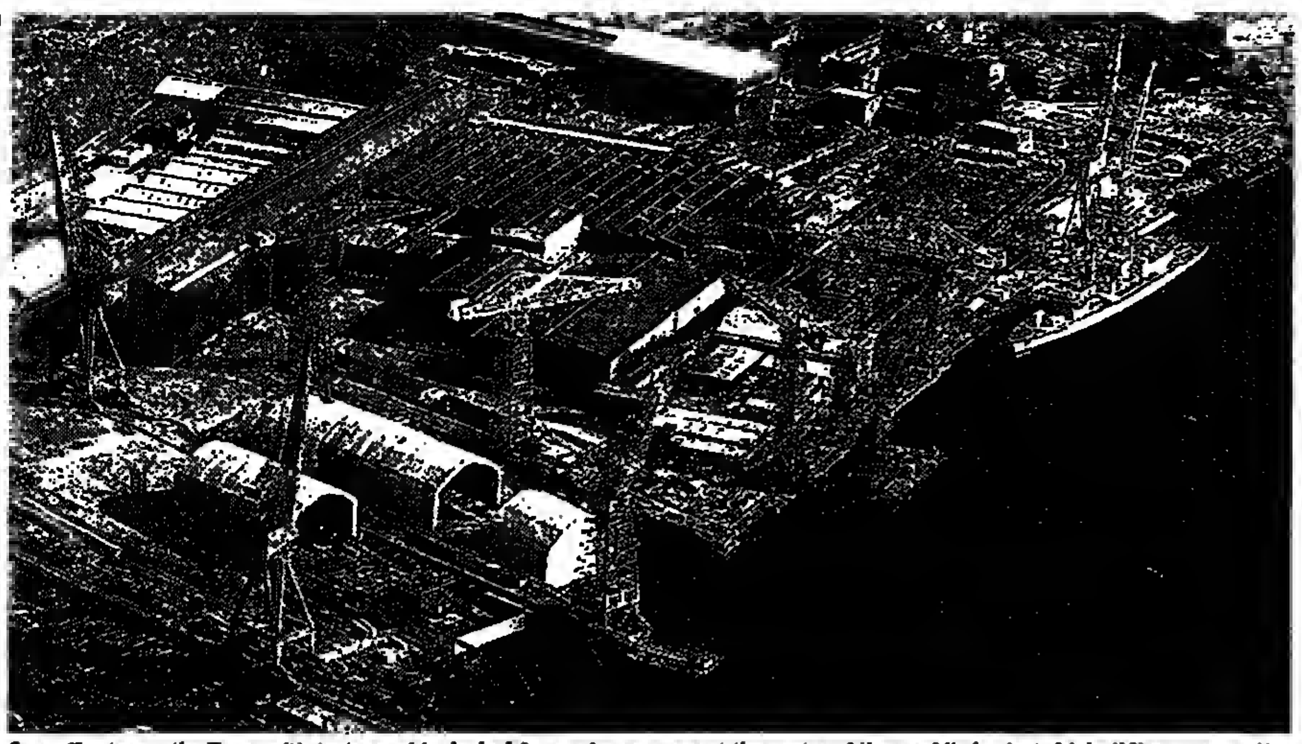
One type of sensitiser consists of large molecules and organic dust particles. Workers in food processing and farming are particularly vulnerable to these.

The second category of sensitiser consists of small chemical molecules. These include isocyanates used in spray paints, acid anhydrides used by the electronics industry in curing epoxy resins and fumes from soldering.

● *A new type of microscope*, which can not only "see" individual atoms but also manipulate them, could have immense applications in making electronic circuits on the smallest scale possible.

Dr Bernard Richardson, a physicist at the University of Wales, Cardiff, told the British Association that scanning tunnelling microscopy enabled scientists "to home in and pick up individual atoms."

The electronics industry is experimenting witb writing circuits by STM. That could produce silicon chips with lines 10 times thinner than those made with today's technology.



Swan Hunter on the Tyne, with just one ship docked for work, was once at the centre of the world's busiest shipbuilding community.

Private sector warning on profits from public projects

By Andrew Taylor, Construction Correspondent

Rates of return on privately financed infrastructure projects will need to be 10-15 per cent if schemes are to proceed, the government was warned yesterday by one of Britain's biggest construction companies.

Mr Joe Dwyer, chief executive of Wimpey, said that the expectations of potential investors of a reasonable rate of return remained higher than that of ministers.

"The gap between us has narrowed but it needs to be closed further if investors are to be persuaded to support these projects," said Mr Dwyer.

Contractors such as Wimpey have taken the lead in bidding individually and forming consortia to tender bids for privately financed roads, railways, bospitals prisons and student accommodation.

Mr Dwyer said: "In spite of a lot of activity very few schemes have started. We need some positive examples if investors are to be persuaded that the rewards will be worth the risk."

Investors would expect higher internal rates of return than the 3 or 4 per cent expected by utilities.

"There is a lot of risk involved if contractors and investors are to expected to take on the liability for the cost of a prison riot when they might have no control on what prisoners they took," said Mr Dwyer.

He expected that the first privately financed schemes to go ahead would be smaller projects, such as prisons and hospitals rather than very large road and rail schemes.

Large transport schemes often involved complex planning and political issues which made them difficult to cost and involved higher risk for investors.

Wimpey however is bidding for four privately financed road schemes, costing a total of £380m announced last month.

Mr Dwyer said: "It is clear that government, given the state of the public borrowing requirement, has no choice but to go down this route. What needs to be sorted out is what rate of return is reasonable for investors to expect."

Survival for Swans 'remote'

By Chris Tighe

The prospects of selling Swan Hunter, the Tyneside shipbuilder in receivership since May 1993 are now remote, receivers Price Waterhouse said yesterday.

Mr Gordon Horsfield, joint receiver, said there were at this stage oo serious bidders; continuing expressions of interest had yet to turn into offers clearly backed by funds.

Price Waterhouse, he said, would now begin looking at offers received for parts of the business, in parallel with any approaches for the whole.

Following Monday's collapse of hopes of a sale to Constructions Mecaniques de Normandie, the receivers are now considering a CMN proposal to subcontract work for some weeks to Swans' design team.

It emerged yesterday that the Tyne and Wear Development Corporation, North and South Tyneside and Newcastle councils and private sector interests have formulated a fallback proposal, should no going concern sale be possible, to acquire Swans as a subsea oil and gas exploration and prodnction base. The initiative, costing around £20m, would require central government support.

Organisation Management and Survey, the engineering consultancy, also confirmed it was intereséd in buying Swans as a going concern. and was pntting together a financial package. It would bope to find merchant shipbuilding work for the yard from Greece and the US.

TUC moves towards European style code for rights at work

By David Goodhart, Labour Editor

The European Court judgments in June requiring UK employers to consult with employee representatives on redundancies and business transfers, even where they do not recognise unions, could transform worker consultation in Britain according to a TUC legal judgment.

The judgment, from Professor Lord Wedderburn, states that companies will not be able to call up and then dissolve committees for consultation at will. Such vehicles for consultation will require adequate resources and proper independence from the employer.

The government is currently wrestling with how to implement the European judgment with the least inconvenience to business. A decision is expected within the next few months.

The Wedderburn analysis is included in an interim report which was yesterday strongly supported by the TUC, the umbrella organisation for trade unions, at its annual Congress in Blackpool.

The report takes another significant step towards TUC acceptance of continental European-style rights at work and works councils, but attempts to combine that with an important role for union organisation.

Mr Bill Morris, general secretary of ths *TGWU* general union, introducing the interim report, said: "We cannot import a model from another country whose tradition of industrial relations is different from ours....Neither can we say they have nothing to teach us", he said.

Britain in brief

Exchange draft on new share market

The London Stock Exchange yesterday took a step back from its most radical ideas on trading in small company shares when it published a consultative document on the new lightly regulated market.

An early draft of the exchange's proposals were to "strip back" regulation, but it has concluded that companies should provide interim financial results as a requirement of a quotation on the planned Alternative Investment Market.

The draft had argued for waiving this obligation but the exchange judged that the cost of compliance for companies was outweighed by the extra security provided to investors and the need to boost liquidity.

"One of the things that most deadens a market is no information," Mr Michael Lawrence, chief executive of the exchange, said yesterday. "We need periodic information. I am afraid that we are going to require interim results."

Greenpeace in 'poor taste'

The Advertising Standards Authority, the advertising watchdog, in a ruling published today, has accused Greenpeace, the environment group, of "gross oversimplification" and "poor taste" in an anti-nuclear power advertisement which appeared in some national newspapers earlier this year.

The Greenpeace advertisement featured a photograph of a baby with an enlarged head captioned "Kazakhstan nuclear test victim". The text claimed that radiation-linked diseases in children "have already been seen near to nuclear installations such as Sellafield" and that "2,000 will die because of the radioactive discharges from Sellafield over the next 10 years".

The ASA ruled that there was no proof the baby pictured in the advertisement was a nuclear test victim, and that the figure of 2,000 deaths had not been substantiated. It also ruled that it was "unfounded" to describe the nuclear industry as "intent on spreading radiation and the means of mass destruction around the globe".

Greenpeace said it stood by the advertisement. Its campaign had been vindicated because the main complaint on the link between nuclear power and childhood diseases had not been upheld, the group added.

Home banking 'not welcome'

Consumers show a marked lack of enthusiasm for technological developments such as home banking, and appear to prefer conventional banking methods, according to a survey published yesterday.

Within the general level of caution, there was greater interest in technological services from the under-35 age group.

The poll by Mori for computer company ICL, suggests that whatever the investment by retail financial institutions in technological advances, many customers do not see themselves taking advantage of new developments, and a significant minority scarcely use some of the common facilities already available.

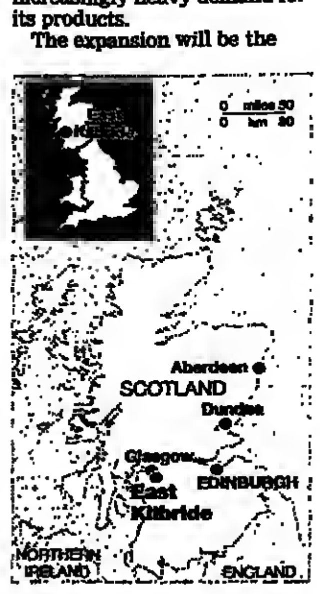
For example, three-quarters of those questioned said they would not use a home banking service if it was available. One-third of respondents said they had never used a cashpoint machine, while only about half used them regularly.

By contrast, two-thirds said they regularly visited their bank or building society branch other than to use a cash dispenser.

Motorola to expand

Motorola, the US electronics group, said it would invest £250m in expanding its semiconductor plant at East Kilbride near Glasgow to meet increasingly heavy demand for its products.

The expansion will be the third and by far the biggest the company has made at East Kilbride in the past three years. In 1992 it announced a £40m expansion project and followed it last year with a £50m expansion which was opened yesterday by Mr Ian Lang, Scottish secretary.



The new project involves building another 35,000 sq ft of factory space in addition to the existing 400,000 sq ft, and adding 250 people to the plant's payroll of 2,300. The new building will begin manufacturing late next year and be in volume production in 1996.

Motorola's expansion at East Kilbride is in response to growing demand for microcontrollers and digital signals products, semiconductors which are used in a wide range of products such as cellular telephones and fax machines, as well as engine controllers and smart cards.

Part of the plant's increased output will go to other Motorola plants, such as its mobile telephone plant at Easter Inch in West Lothian, Scotland, while the rest of the production will be sold to other manufacturers.

The new facility, Motorola says, will enable the plant to produce the most powerful silicon wafers in Europe and among the most powerful in the world. It will add triple layer metal semiconductors to the double layer metal products it already makes and increase the plant's potential to produce advanced 32 bit microprocessor products.

Nuclear fuel start-up sought

Nuclear Electric, the state-owned generator, is expected to apply within two weeks for permission to load the first uranium fuel into Sizewell B, Britain's first pressurised water reactor power station.

Staff from the Nuclear Installations Inspectorate, who are scrutinising safety systems on the Suffolk site, are expected to give the go ahead for fuel loading subject to satisfactory completion of outstanding work.

Sizewell B, which has been built within its £2.03bn budget, was expected to begin generating electricity during the summer. But the complexity of the commissioning process and delay in obtaining authorisation to discharge radioactivity into the environment means the plant is nnlikely to be started up before December.

Birch calls for regulator

There should be a single regulator for both building societies and banks, Mr Peter Birch, chief executive of Abbey National, the home loans and banking group, said.

Addressing a seminar organised by the Chartered Institute of Bankers, Mr Birch said that despite the differences in ways of operation he believed it would make sense for the two sorts of organisation to be regulated by a single body.

This might mean the Building Societies Commission becoming part of the supervisory department of the Bank of England.

The question of regulation is set to arise as a result of the consultation document which the government is due to publish later this month on the future of societies. The Treasury itself, however, is likely to address the point only obliquely, and may argue that changes in societies' powers and duties does not necessarily imply a change of regulator.

Reform urged on damages

Changes in the law to make it easier to pay damages in instalments to victims of personal injury are recommended in a report published yesterday by the Law Commission.

The commission, which advises the government on law reform, says that changes are needed which would allow insurers to buy annuities to make the payments direct to the victim tax free. Many victims of accidents prefer the payment of some or all of the damages they are awarded in instalments. These structured settlements often involve a lump sum, with payments for the rest of their lives.

The commission says that regular payments offer victims greater certainty about their financial future than a single lump sum. They can also be tailored to the victim's needs, with variations in the amounts to reflect changes in need such as education costs and extra care in old age.

London bus sell-offs

The privatisation of the London bus network took a step forward yesterday with the sale of two more of the larger companies, East London and Selkent, to Stagecoach Holdings for a total of £42m.

This brings the number of bus companies sold to three with a further seven still remaining to be sold. CentreWest was sold to its management for just over £25m last week.

Another two bus companies are expected to be sold off later this month and London Buses expects to complete the sale of all its operations by the end of the year. The sales are expected to be roughly equally to management teams and trade buyers.

The purchases by Stagecoach represent its first move into London and will give the Perth-based company a total share of about 11.5 per cent of the UK bus market. Stagecoach has already bought companies in Kent, Tyneside and Scotland over the past 18 months.

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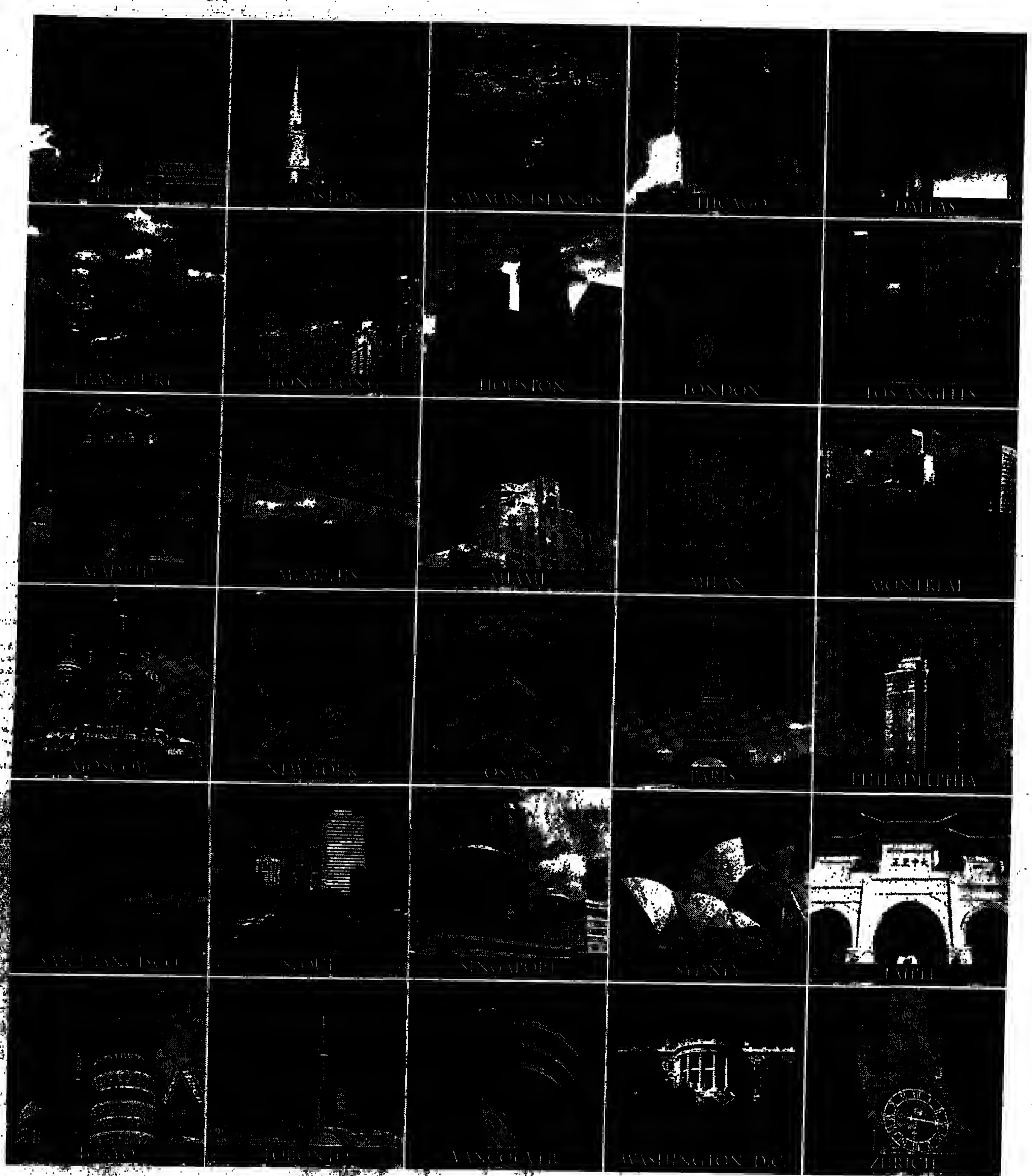

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PEOPLE

McKinlay dives out of the Pool

Margaret McKinlay, the chief executive of the Electricity Pool, surprised the power industry yesterday by announcing that she is leaving to take up the new post of head of compliance at British Gas.

The move will stir considerable interest in energy circles since the Pool and British Gas are both in tha public eye these days. Bnt the 43-year-old McKinlay felt it was time for a change, both from her point of view and that of the Pool.

"When I took on this job five years ago I wanted to make sure the Pool was capable of working, and I think I've done that," she said. "It can always be improved, but it would be better for another person to do that."

A graduate of Edinburgh University, McKinlay joined the Department of Energy in 1977, and worked on electricity and oil licensing before becoming private secretary to the minister of state. After a spell in administration, she moved to the coal division during the miners' strike before returning to electricity to oversee privatisation.

In December 1989 she helped create the Pool, the new wholesale market for alectricity which formed the heart of the privatised industry, becoming chief executive in 1990.

Althongh the Pool has evolved as the focal point of the electricity market, it has been criticised for containing imperfections, and a number of reforms are being introduced under McKinlay's guidance.

At British Gas, McKinlay will play a key role in introducing a regulatory compliance regime in the wake of last year's monopoly report. In particular, she will be responsible for ensuring the effective separation of British Gas' transportation business from its trading operations – the key feature of the new structure which will have to pass muster with the gas regulator and the company's customers.

McKinlay will be based at British Gas's corporate centre and report to a main board director. She admits that she has had only limited contact with the gas industry – still very much a man's world – though she has met Clare Spottiswoode, the gas regulator, with whom most of her dealings will be.

No moves have yet been made to find a successor at the Pool. One member said yesterday: "She will be very hard to replace. She is extraordinarily conscientious, and would never leave a job half done."

Ian Reynolds' return ticket

The Association of British Travel Agents, which acts as both watchdog and industry association for the UK travel business, has just appointed a new chief executive: Ian Reynolds.

Reynolds, 50, has previously spent 26 years with IBM (UK) in a multitude of roles. He joined the company in 1968 as a trainee salesman in London, after studies at the London School of Economics. He became regional manager for the Midlands and North, and group director of administration in Paris in 1982.

He returned to the UK in 1983 to lead a division concerned with information systems, hut Paris once more beckoned in 1986, where he returned to be general manager responsible for the Benelux, Spain, Switzerland and east European territories.

Back to the UK in 1987, Reynolds took over as director of marketing and services for three years. Clearly, however, Paris got into his system, as he returned there in 1991 to be vice-president, communications, dealing with government and media relations, as well as internal communications. He finished his career with IBM as director of personnel and corporate affairs, back in the UK. He retired from IBM earlier this year.

Given that he enjoys tennis, golf, skiing and sailing, and he now has some spare time to pursue those activities, why is Reynolds taking on the tough role of steering ABTA, which has had its ups and downs in the recent past? "Travel is a high-growth industry, soon to be the world's largest. ABTA is in a good position to provide the necessary leadership for that industry; it's a challenge too good to miss," says Reynolds.

ABTA currently has 2,900 main members, though that increases to 7,000 when counting all retail outlets. Reynolds is taking over from John Dunscombe, who resigned earlier this year.

Regret in the City yesterday over the departnre from Cowie, the car-leasing and motor-trading group, of Iain Jane, 49, the director responsible for the motor division, after 15 years with the company.

Analysts said it was sad to see the break-up of the experienced management team which had built the Sunderland group into one of the industry's biggest companies. Last year Sir Tom Cowie, 71, stepped down after 45 years as chairman of the company he founded and was replaced by Sir James MacKinnon, previously director general of Ofgas.

Cowie refused to comment on the reasons for Jane's departure, but analysts believe he may have lost out in the race to succeed Gordon Hodgson, 62, the chief executive, who now assumes overall responsibility for the motor division.

The succession was always thought to lie between Jane and Neil Pykett, 46, the director responsible for Cowie contract hire and leasing business, which makes the bulk of group profits. Another possible factor is that Jane is a very hands-on manager, who may have felt cut off by the layer of divisional management which grew with Cowie.

Finance moves

The Colloque Franco-Britannique, a select forum set up three years ago by Sir Patrick Sheehy, chairman of BAT Industries, and Gérard Worms, chairman of Suez, has been described rather unkindly by some observers as "a group of serious people shooting the breeze".

But the annual meeting of leading industrialists, journalists and academics does have some practical uses, too. It was at one such gathering that a senior member of S.G. Warhurg met Yves Cannac, the president of Cegos, a French consultancy specialising in professional and management training.

He was so impressed with the 59-year-old Frenchman, who was also executive chairman of Havas, the French media group, from 1978 to 1981, that he has been hired to advise Warhurg on how to develop its business in France.

Warburg clearly believes that retaining senior figures with good local knowledge and contacts is a winning strategy. It has similar advisers in Spain, the Netherlands, Denmark, Australia and Canada and two in Japan.

■ Alex Wishart, formerly director and general manager of Harrods Bank, has been appointed regional manager for the BEIRUT RIYAD BANK in London.

■ John Scott and Clive Weston, formerly directors of Wise Speke, have been appointed directors in ALBERT E SHARP's Manchester office.

■ Nicholas Peacock, formerly head of regional research in Hong Kong for Schroders, has been appointed a director of LEHMAN BROTHERS with responsibility for marketing Asian equities to UK and European investors. Vincent Walsh has been appointed a director on the UK cash trading desk; he moves from Morgan Stanley.

■ James Wilmot-Smith, formerly a director of Gerrard & National, has been appointed a director of GNI responsible for the leveraged fund management division.

■ Tony Charlwood, formerly with Gartmore, William Pattisson, formerly with James Capel Fund Managers, and Howard Williams, formerly with Shell Pensions, have been appointed senior directors of FLEMING INVESTMENT MANAGEMENT.

MANAGEMENT

Richard Donkin on an impending review of UK industrial tribunals

Making fairness work

Imagine a divorce court ordering a husband to be reunited with a wife who cannot stand the sight of him. The decision would be unworkable.

Yet s review of the UK industrial tribunal system ordered by the Department of Employment is expected to consider re-instatement of employees in the workplace as an alternative to compensation for unfair dismissal. Like the saving of a marriage, it sounds attractive in theory. But in practice, as with non-consenting partners, it seems fraught with difficulty.

While enforced re-instatement is thought to be one of the ideas the government is considering for inclusion in a consultative document expected to be published later in the autumn, it may have been dismissed already as unworkable and unacceptable to employers.

Nor may business be enamoured with the German approach, which has been scrutinised widely in Britain. In Germany companies must give appropriate justification to works councils composed of elected employee representatives. Although a works council cannot prevent a dismissal, Its opinion is taken into account in any subsequent proceedings at a labour court – the more powerful German equivalent of the UK's tribunals.

Some organisations had been lobbying for a review for years. When it was announced by Ann Widdecombe, the employment minister, in a reply to a parliamentary question in April, she said the move was intended to Identify any changes that would help tribunals cope with the rising volume and complexity of cases, to reduce delays, and to contain demands on public spending.

Industrial tribunals, conceded the government, had grown too cumbersome and costly. The annual number has more than doubled from 34,000 in 1989-90 to upwards of 71,000 in 1993-94. Most of these were unfair dismissal cases, very few of which led to re-instatement orders and fewer still to actual re-engagement. Under present legislation employers cannot be forced to re-employ someone if they choose to ignore an order of the tribunal.

Although reform has been an issue for years, the timing of the review may have much to do with the European Court of Justice's decision last year to remove the ceiling on compensation awards in sex and race discrimination cases. One result has been a series of six-figure awards to women who were dismissed from the armed services after becoming pregnant. The cases have sounded alarm bells in Whitehall, faced with a £100m bill if all the appeals prove successful.

The government is thought to be deliberating compensation ceilings because of the discrepancies that have arisen. While unfair dismissal cases are limited to awards of £11,000, there is no limit on race and sex discriminations cases. The Employment Appeal Tribunal, the equivalent of the civil Appeal Court, has already laid down detailed guidance on the MoD cases and cautioned against snch high payments.

The underlying need for reform arises from the numerous piecemeal changes made in the system since tribunals were established in 1964. Initially their role was to hear complaints from employers against the "training levy" – levies on each industrial sector to pay for training. They were wrenched from obscurity by the 1971 Industrial Relations Act, which gave them jurisdiction over unfair dismissal claims.

They have gradually acquired more status and power as arbiters of the various employment discrimination laws, to the extent that they now give judgments on 60 types of claim. Today, because of diminishing union power and representation among many employees, the tribunal has become the chief and in some cases the only recourse against unfair treatment in tha workplace. Tribunals have recently been given the power to judge contractual disputes, but there is a ceiling of £25,000.

The format of industrial tribunals is largely similar across the country. They tend to be held in two or three characterless rooms in an office block. The proceedings are deliberately informal. With a presiding lawyer acting as chairman, the sides are divided into applicants (aggrieved employees) and respondents (employers). Each can be formally represented but often choose to forego lawyers because of cost; legal aid is not available.

The result is that individuals inexperienced in advocacy tend to stumble through their questioning, taking up almost as much time as lawyers. Often the parties are allowed to lead their witnesses in a way that would not be allowed by a Crown Court judge. Case backlogs and the length of hearings are leading to too many split hearings, where the beginning and end of a case may take place months apart.

Two years ago full-time tribunal chairmen were given powers in certain circumstances to sit alone, but they appear to be reluctant to dispense with their panel of two lay people. "The presence of lay people with practical experience is an important check and balance," says Digby Jacks, a national officer of MSF, the technical union.

Jacks is among a growing lobby who believe that the government-funded Advisory Conciliation and Arbitration Service should have a greater involvement in cases. Currently, it is available for consultation, but some believe that if its powers were extended to those of mediation or arbitration it could prove a more efficient filtering process. Other ideas being considered by the government include a system for employees to meet both sides' costs if they pursue frivolous claims. Examples of the trivialising of tribunals are legion, and include complaints about the way a brigadier's cook fried eggs.

While the badinage of workers who called their Ulsterman colleague a "thick paddy" was arguably trivial, it won the employee £6,000 in compensation for hurt feelings, and may have had a broader social influence in the way that people behave at work.

So may have sex discrimination cases – which, more than anything else, have raised the profile of industrial tribunals in the media. Last month Samantha Phillips, an insurance broker at Willis Corroon, won £18,000 in damages after claiming sexual discrimination and unfair dismissal. "I think the case will send strong vibrations down the spines of some managements," says Jacks.

One fear about the consultative document among organisations that have been urging reform is that the government's prime concern is cost, and that its recommendations may dilute the powers of tribunals. Peter Martin, legal officer at the Engineering Employers' Federation, says: "I fear the document may be too narrowly focused when what we want is a broader review."

From sexual simile to sexual 'crime'

Stuart Bentley on the dangers of a politically correct definition

Few modern plays have generated as much controversy as David Mamet's *Oleanna*. It portrayed a disastrous series of miscommunications between a male college professor and a female student which finally destroyed the professor's career.

In a disturbing example of life mimicking art, a male college professor at the University of New Hampshire is now on indefinite suspension without pay following a sequence of events remarkably like those portrayed in Mamet's play. The events raise important questions about academic freedom, individual rights and "political correctness".

Donald Silva, 59, pillar of the local Congregational Church, and a faculty member at the University of New Hampshire since 1972, taught a course on technical writing. In one of his lectures, be compared an aspect of the creative process to sex. The simile was based on the to and fro quality of the movement and the sense of fulfilment that came at the end.

On another occasion, when discussing the use of similes, he suggested that the movement of a belly dancer might be described as being "like Jell-O on a plate with a vibrator under the plate". These sexual allusions offended some of the female students who complained to the university authorities.

Was this all there was to it? Apparently, yes. In subsequent enquiries it was reported that some female students felt the professor stood too close to them

Definitions of what constitutes sexual harassment have profound implications

on certain occasions, but there was no definition of how close was too close.

An administrative tribunal nonetheless found Professor Silva guilty of sexual harassment, defined in this case as "creating a hostile and intimidating atmosphere" in his class. The professor was suspended without pay for a year, during which time he was required to undergo psychotherapy – at his own expense – to correct his supposedly deviant tendencies.

He chose instead to bring legal action against the university, demanding reinstatement to the faculty, compensation for lost income and undisclosed damages. He thus remains suspended without pay pending the outcome of his law suit.

The Silva case has split the University of New Hampshire community into those who see it as a question of academic freedom and those who see it as a question of women's rights. Both positions have merit and are defended passionately: an unlikely basis for rational dialogue.

The university administration is understandably reticent about discussing the case but Eve Goodman, head of the university's sexual harassment and rape prevention programme, is prepared to comment. She says that if female students felt afraid to go to a professor's lecture, then "we got a problem here".

We certainly have. As an American academic, I feel a personal interest in the Silva case, but its ramifications extend far beyond the confines of American academia. Sexual harassment is becoming an increasingly important issue throughout the developed world and definitions of what may or may not constitute sexual harassment have profound implications for working relationships in general.

With attempts to define the limits of acceptable behaviour comes the image of a society dominated by politically-correct thought police.

Whila such a prospect may be interesting as a dramatic premise, does it have any basis in reality? In the light of events at the University of New Hampshire, I am less complacent than I was. In my day-to-day dealings with students, I find myself increasingly aware that even the perception of "inappropriateness" could be disastrous. This is especially true with female students, in whose company I now feel a level of personal vulnerability more appropriate to a minefield than a classroom.

This is not paranoia. Official guidelines in most private and governmental organisations in the US include "creation of a hostile and intimidating atmosphere" under the general heading of sexual harassment.

The Silva case shows clearly that even casual references to personal bodily functions – especially those pertaining to reproduction – may be deemed to create such an atmosphere, constituting grounds for censure. This censure carries the same stigma as a conviction for indecent assault.

The question of stigma is crucial to this debate. What is important in the Silva case is not what be was accused of but what he was *not* accused of. There was no suggestion, for example, of improved grades to exchange for sexual favours. No mention of groping, fondling or even "inappropriate touching".

And if his similes generated an environment that his accusers found "hostile and intimidating", where might these women feel comfortable? Surely not on the campus of a modern university, where ideas are expressed freely – sometimes even offensively – and established opinions are open to constant challenge. Most

Official guidelines include the "creation of a hostile and intimidating atmosphere"

important of all: is the academic equivalent of a death sentence reasonable punishment for the "crime" of using sexually-suggestive similes?

It is now up to the courts to decide. Meanwhile, I am reminded of a song, extolling the politically-incorrect delights of "standing on the corner watching all the girls go by". I remember particularly the line that goes "you can't go to jail for what you're thinking". Such optimism may soon be out of date.

Stuart Bentley is professor of pathology at the University of North Carolina Medical School

BUSINESS AND THE ENVIRONMENT

Accounting for the birds, bees and trees

Raymond Colitt on why economic indicators must reflect degradation of natural resources

How much is the air you breathe ur the forest you hike in worth? Can a monetary valne be pnt on them, or are they priceless?

As pressures for conservation of natural resources mount worldwide, planners and policy-makers are increasingly confronted with such questions. The result is that economic valuation of natural resources and environmental accounting are achieving greater prominence.

Mnch of the theoretical groundwork has heen done by scholars such as Robert Repetto of the Washington-based Wurld Resource Institute and David Pearce of University College London. International conservation agencies, among them the United Nations Environment Programme and the Wurld Commission on Environment and Development, have endorsed the objectives of resource valuation and environmental accounting.

The economies of many developing countries are especially resource-dependent – nil-exporting countries, for example – and thus have an interest in determining the value nf their inventories, or reserves.

Recently the UN Statistical Office published guidelines for environmental accounting; this is likely to help developing countries incorporate the valne of resources into national accounts.

Conventional accounts can give a misleading picture of a nation's output by failing to show depreciation as resources are depleted or to reflect the contamination of natural resources. Thus, the ontput of products such as oil are overestimated, as there will come a time when the oil runs ont and income will cease. Such natural resources have neither been considered productive capital nor been subject to depreciation.

Just as a lumberman loses capacity to produce timber if he cuts trees without reforesting, an economy's productive capacity diminishes with the degradation of biological resources. The World Resources Institute argues that if natural resources, like other assets, are diminishing they should be snbject to depreciation.

Theodore Panayntou at Harvard's Institute for International Development says that the price of commodities, such as fish and crops, often "reflects only the opportunity cost of labour and capital used in their production, not the opportunity cost of scarce natural resources used in their production."

The implications of economic indicators that do not reflect such degradation are many. They result in a deceptive measure of economic growth. A country exporting large amounts of timber, for example, may record considerable growth, as reflected in gross domestic product. But if economic figures do not reflect a decrease in the inventory of natural resources – its forests – and a reduction of future prodnctive capacity, such growth is nverstated and unsustainable.

A study of forestry schemes in Britain, sponsored by the World Wide Fund for Nature, found that: "Economic analysis of forestry is, in practice, purely a financial assessment of profitability.

Misleading income measurements create the illusion that growth was created withont cost to the environment, says Omar Noman, senior research economist at Oxford University. An indicator of economic growth is needed that is adjusted for environmental costs.

Based on the concept of sustainable development, "net growth" would be based on income generated by economic activities that do not reduce a country's productive capacity in an unsustainable way. It is calculated by subtracting the cost of degredation from gross domestic product.

Case studies of resource degradation have shown that the market often fails to reflect the social and economic cost of environmental degradation. For example, although natural stocks of fish worldwide are dwindling, fish prices are not rising enough to inhibit consumption to a sustainable level.

A number of methodologies to value natural or biological resources have been proposed. The simplest approach is to assess the market value of commercially harvested products, such as timber or medicinal plants. It calculates the value at current prices while taking into account unconventional uses such as eco-tourism. But this approach does not consider the value of products that do not pass through a market. For an Indian tribe, firewood, game meat and fish are products that are not marketed, so have no market valne.

Even more elusive is the attempt to assess indirect values of ecosystems. What is the worth of a forest's function in regulating the climate, as a source of water or sequestering carbon emissions?

So far such valnation techniques have been applied largely to limited geographical regions or specific resources within an economy. As Repetto says: "The idea of an all-encompassing inventory of natural assets has generally been discarded."

In Papna New Guinea, the World Bank and the UN Statistical Office conducted case studies to see how data on natural resources could be integrated into the existing system of national accounts. Environmental impacts were assessed in agriculture, forestry, mining and energy sectors. The environmentally adjusted net domestic product (EDP) was calculated in two stages. The economic depletion of natural resources was calculated; then the degradation of environmental quality and of non-marketed environmental services was assessed. Total EDP equalled 90 to 97 per cent of net domestic prodnct.

Ultimately, economic valuation of natural resources does not prevent their unsustainable use. However, it identifies and determines the cost of unsustainable economic growth. It is a further step in providing economic indicators that reflect the state of the environment.

Tomas Larsson

Tanning blues: a Simon Lao quality controller works on a hide at the "wet blue" stage – a wet white process is planned

Green leather in fashion

Tomas Larsson visits a Laos tannery which is trying to be as environmentally friendly as possible

A once defunct tannery in Laos, south-east Asia, has won its first orders by selling itself to western leather buyers as an environmentally friendly operation.

While much industry along the Mekong River is still pumping out effluent and dumping waste, the Simon Lao factory is capitalising on greater environmental awareness among western consumers.

Simon Lao in Vientiane, the Laos capital, is the country's only tannery. It was built by the government in the late 1980s with funding from the United Nations Development Programme but was mothballed on completion. The plant never opened for business because there was no further funding once the aid programme ceased.

But commercial production began as soon as the tannery was privatised last year, and sales are now up to Bt2.5m (£64,600) a month. The government sold 75 per cent to Bangkok-based Simon & Associates, an Australian-Thai joint venture. It is one of Thailand's largest makers of leather furniture, with sales of more than $1m (£600,000) a month.

Simon Lao made it a marketing policy to become a "green" leather niche. It is now hailed as one of the most environmentally-friendly tanneries in south-east Asia.

Keen to buy from such a supplier, Ikea, the Swedish group, recently placed a $2m (£1.2m) nrder fur leather furniture from Simon & Associates.

Ikea says it would like to buy more furniture from the parent company, but the tannery is running at full capacity and cannot deliver any more at the moment. But the company says it has "many more leather articles which can be shifted to the Lao tannery. And we are in the process of adapting our furniture – to give it a new look – to further fit their production."

Laos is perhaps not the most obvious of investment destinations in Asia. As a late industrialiser, the country is not trying to attract foreign investment by agreeing to environmental "dumping" – but rather the opposite. Jean-François Renandin, general manager of Simon Lao, says: "Simon & Associates was very interested in this tannery, first because it could supply them with water-buffalo leather, which is getting hard to find in Thailand.

"Second, Ikea, which is a very large customer, has to watch what it does in terms of the environment. Simon identified that if it could get a tannery that was clean at the start, and then make it cleaner and greener, surely Ikea would be interested in that. Mind you, it is a gamble – it's not a deal with Ikea – that is part of the marketing strategy of Simon."

Renaudin believes the plant's success so far is because of its cleanness.

"We are one of the few tanneries in south-east Asia to have a dedicated effluent treatment plant. And it is the biggest one I've ever seen. In fact, we could probably increase production capacity by 10-15 times and the system would still be able to cope."

The plant has a modern waste water treatment plant, imported from Europe, which chemically removes dangerous chemicals from the water used in the tanning process.

Bernhard Meyhöfer, a German consultant working with Thailand's ministry of industry on a series of environmental projects, agrees that the Simon Lao tannery is cleaner than most. "Compared with the 150 tanneries in Thailand, the Lao tannery is definitely much cleaner. They are doing one very important thing right: separating chromium-containing waste water from the other waste water streams and removing the chromium by precipitation." Chromium is used in the tanning process.

The resulting sludge is disposed of in drying beds on the plant site. Inheritage from the UNDP days, the tannery is equipped with a chrome recycling system, which could eliminate the need for a more suitable site for end-disposal of the chrome-filled sludge. But the system has never been fully operational. It would require further investment to open and Renaudin is not convinced that using recycled chrome would have no effect on the quality of the leather.

Renaudin's gamble, as he puts it, appears to be paying off so far. He is now embarking on a project to improve further the plant's environmental record – to eliminate what the industry calls "wet blue" shavings. The shavings, which contain chromium, are produced when the hide is shaved to produce a uniform thickness.

Simon Lao will introduce a two-step tanning process. The shaving of the hides will in future be done in a pre-tanning stage called wet white, before the usual chrome-tanning process.

"In the west," explains Renaudin, "tanneries dump the wet blue shavings at disposal centres specialised for toxic waste. A small tannery such as Simon Lao produces perhaps 200 kilos of shavings per day – and in Laos they didn't even have a rubbish tip when we came here."

In contrast, the new tanning process, expected to be up and running by the end of the year, involves only organic compounds (aldebydes) and the shavings can be used as animal feed. "We will probably be the first tannery in the world to use the wet white process for 100 per cent of our production," says Renaudin. "And Laos will certainly be the only country in the world where all tanneries use this technology – because we're the only tannery here."

But not all factories in Laos are as environmentally aware. Local villagers, for instance, have to tread with extreme care to avoid hurting themselves when struggling through heaps of broken bottles, rusty bottle caps and copious amounts of rubbish and effluent. Heavy rain flushes much of the waste into the relatively pristine waters of the Mekong. If the success stories of companies seeking out the "green" buyer in Laos continue, this practice may finally come to an end.

ARTS

Television/Christopher Dunkley

A seasonal display of dirty linen

Does anybody remember television quite as dreadful as we heve been having for the past couple of weeks? Of course any week that contained the pilot for Chris Tarrant's game show (can that really be the right phrase?) *The Opposite Sex* would be pretty bad. The billing told us that couples would be "airing their dirty laundry in public" and anyone who thought this was a subtle piece of wordplay indicating e stage beyond washing their dirty linen was rapidly disillusioned by the information that there would be "a studio audience comprising of couples only". Such solecisms should have served as a warning. Sure enough women were induced to object to men leaving the lavatory seat up, and men to complain about the time women took in preparing to go out. Goodness knows how the BBC justifies spending our licence fees on such trash.

Nor was it just that. There have been dustbin loads of repeats and a poor response from news and current affairs programmes to the cessation of violence by Irish republican terrorista. Perhaps I was consistently unlucky, and it was like a game of Grandmother'a Footsteps: every time I switched channels to find a better report, impressive activity promptly occurred behind my back. Maybe. But the reports I saw seemed wholly unprepared for what had happened, and obsessed with the absence of the word "permanent" in the ceasefire declaration, virtually to the exclusion of all other considerations. In particular there was a marked failure to explain how this event had come about. Were the American visiting politicians influential? Was it John Major's doing? Had Jnhn Hume'a work paid off? Having believed in violence for 25 years, *why* had the terrorists changed their minds? Not only did nobody seem to have tha faintest idea, nobody on television seemed willing to ask.

At other times of the year when there is so much more to distract the attention you might be able to get away with showing a ragbag collection of episodes from ancient ATV series, pretending you ware serving a demand for retro television. After all, nobody accuses the National Film Theatre or the Hampstead Everyman of showing "repeats"; they are in the serious sounding business of repertory cinema. However, there is an important difference. The NFT and the Everyman select the best of what has survived, whereas broadcasters usually seem perversely interested in the worst. It was not a bad idea to have Michael Grade interview his uncle for *The Persuader: The TV Times Of Lord Lew Grade*, because Lew Grade did have a significant effect on British television in the 1950s and 60s. Some of his series – *The Muppet Show* for instance, and *The Prisoner* – were unusual and well worth reviving. Moreover it was fascinating to see the episode of *Danger Man* in which Patrick McGoohan played s shadowy agent, sent abroad to a mysterious self-sufficient village where the mundane was overlaid with a powerful sense of sinister totalitarianism, since this was so clearly the model for *The Prisoner* in which McGoohan played the title role and also produced. There are no such good reasons for showing odd episodes from *The Buccaneers*, *The Adventures Of William Tell*, *The Persuaders* and a lot of other ATV series which are banal, repetitive and best forgotten. They looked like Polyfilla, shoved in to fill gaping summertime cracks.

Is this all cause or effect? Are these heaps of repeats and ghastly pilots pushed at us in August because everybody who can afford to has left for Tuscany (or, for a touch of real class, Umbria) or do all those people shoot off to Italy because August is a dead month, not least on television? Whether the chicken or the egg came first, it is time the hroadcasters gave up their nasty habits and accepted thet even though *Coronation Street* attracts "only" 16m viewers in August instead of 19m in the winter, 16m people are not to be sneezed at. Having said which, the autumn season is creeping in even as I write. Sunday brought the first of a new season of "Screen One" filmed dramas oo BBC1, *A Breed Of Heroes*, written hy Charles Wood. Concerned with a British Army unit in Northern Ireland in 1971, this has been widely described as a comedy but is surely no such thing. Wood, s one-time regular soldier, seems to he simnltaneously fascinated, impressed and appalled by professional soldiers and soldiering. He wrote the movie *The Charge Of The Light Brigade* and – his most outstanding work to date – *Tumbledown*. Like those, *A Breed Of Heroes* is concerned with the paradoxes of military behaviour: obedience and rebellion, valour and stupidity, brutality and compassion. The central character, young Lt Thoroughgood, is not the most memorable. It is Nicholas Farrell's Lt Col Gowrie who sticks in the mind, the man who is mad enough to scream at the gravy in the officers' mess but sane enough to declare of the local population "I swear I'm going to make them behave like human beings". The main mistake with this drama is to assume it is about Ireland: it is about the military mind.

We have also seen the start nf Channel 4's series *21st Century Airport*, about Kansai International, which seems to be sailing dangerously close to hagiography where architect Renzo Piano is concerned; and, on BBC2, the first episode in the American comedy hit *Murphy Brown*. Given the scarcity of good comedy, it is difficult to understand the Idea of screening tbis at a time – six o'clock on Mondays – wben most people are still travelling home. Most promising of all we have seen the beginning of BBC2's eight-part seriea *White Heat* which is described as "charting the history of technology" but which turns out tn be nowhere near as dry and educational as that makes It sound. The opening episode made the point that the difference between man and other animals is not tool use (otters swim on their backs, holding flat stones on their chests to use as anvils for smashing open mussel shells) but the symbolism which is built into so many of man's tools, even when they are as seemingly utilitarian as, say, a gun.

Tonight brings the first episodes in BBC1's new drama series about dustmen, *Common As Muck*, and ITV's drama about politics, sex scandals and arms dealing, *Faith*. Give the broadcasters a week or so and they will be lobbing new programmes at us so fast that none of us will be able to keep up. Politicians may have fought their way clear of the old boom-bust cycle hut not hroadcasters. This is the way they believe things should be: famine in August and glut in September.

Alastair Muir

Intoxicatingly poetic: Aisling O'Sullivan (left) as Pegeen and Aidan Gillen as Christy in Lynne Parker's new staging at the Almeida

Theatre/Alastair Macaulay

The Playboy of the Western World

Watching and hearing J.M. Synge's celebrated play *The Playboy of the Western World* – in my case for the second time in 15 days – is an astonishment. So simple a story, dramatised with such surprising ambiguity. I have plenty of reservations abont Lynne Parker's new staging at the Almeida, but I take it that the *full-throated* approval of the first-night audience denotes pleasure in the play itself. Which is as it should be.

The most vital of all the play's layers is its language. There *is* the infectious skill with which Synge makes ordinary Irish talk intoxicatingly poetic. And it is Christy Mahon, the lying playboy, whose talk is the most infectious of all: "... there's torment in the splendour of her like, and she a girl any moon of midnight would take pride to meet, facing southwards on the heaths of Keel." Not that his words are all lies. From his capacity for poetry we glimpse his capacity for courage; and it is he who changes most during the play.

The finest poetry arises from the romance between Christy, the dark starving stranger who arrives from the cold, and Pegeen Mike, the danghter of this house in County Mayo. Sometimes Synge makes their love sound as predestined and potent as if they were Siegmund and Sieglinde in Wagner's *Die Walküre* – and yet he also satirically debunks it. For this is only County Mayo, whera people, including Pegeen, are daft enough to hero-worship Christy for his tale of having killed his own father. And he is only Christy, whose lies may make him the all-conquering "playboy" nn his arrival, but who is still scared of the father who is only too alive. Synge has us laugh at all these characters – up to a point. The final, beautiful twist of his play, is that their base coal can indeed be turned tn diamnnd. Fnr Christy really does win the village games, and then does beat his father; and Pegeen really has lost her heart to him.

Lynne Parker's direction has great virtues. All the characters are three-dimensional; Christy (Aidan Gillen) is, correctly, not the gorgeous hunk that the village women all make him out to be; and the loneliness of Pegeen and Christy is unusually touching. On the other hand, the production's tempo is frequently too deliberate, its tone too carefully distilled. Where Synge's lines cry out to be spoken with spirit and speed, they are often here taken slowly and softly.

Other reservations? Christy, on arrival, is too clean; everything and averybody (save Pegeen) looks – in Kathy Strachan's designs – too prosperous and modern for "the wild coast of Mayo in 1907"; Pegeen'a father and the other Mayo men are too sober; and Pegeen and the Widow Quin (Gina Moxley) are sometimes inaudibla. And to frame the play with one of McCormack's Irish-song records – between scenes as well as at the start and end – adds a heavy note of polite nostalgia not to be found in Synge's play.

There are, none the less, rewards enough here. Until Christy's exit, Aislan O'Sullivan brings Pegeen to life – her boredom, longing, temper – with first-rate body-language. Gillen is pretty well the kind of raven-haired shrimp that Synge's playboy should be, a weak son whom every woman will motheringly adore, yet with just enough steel to surprise. And at every point the absence of Oirish cuteness and blarney is pure tonic.

Almeida Theatre, London N1

Andrew Clark concludes a two-part report from Switzerland's premier music festival

Liberating theme for Lucerne

Lucerne has long prided itself on its programme themes, but few have been so liberating or so intelligently pursued as this summer's "Forms of Interpretation". At first glance, it seemed little more than a convenient way of wrapping up whatever was available on the international festival circuit. After all, when is musical performance not a form of interpretation?

On closer examination, the theme has clearly stimulated the imagination of Lucerne's festival director, Matthias Bamert. At one extreme, he invited a clown and an "alternative" musician to give their own bizarre interpretations of traditional concert form. At another, he devoted a whole evening to orchestral arrangements and transcriptions, those dubious vehicles which composers use to interpret the thoughts of their noble predecessors.

Gennady Rozhdestvensky conducted one bloated hybrid after another with impish pleasure, but it was hard to decide which was worse – Hamilton Harty's soporific suite from Handel's *Fireworks Music*, or the turgid orchestration which Liszt made of the slow movement from Beethoven's *Archduke* trio. The more sound you add, the more you bury the spirit of the original. The only composer to emerge with credit was Schoenberg, whose subtle, respectful arrangement of two Bach chorale preludes underlined the whole point of interpretation – to divine the character of a work, and filter it through the personality of the interpreter.

Ravel and Webern, two other master-arrangers, were well represented elsewhere in the festival. So too were Beethoven'a *Leonore* overtures – a vivid example of a composer struggling to interpret himself. And there was no shortage of period-instrument specialists to illustrate the changing fashions of interpretation. But the biggest single interpretative focus was *Winterreise*: Peter Schreier sang the original Schuhert; Hans Zender and Klangforum Wien presented a "composed interpretation" of the song-cycle; and a new *Winterreise* opera received its premiere.

With music by the Austrian composer Ingomar Grünauer and a libretto by Francesco Micieli, the opera gives a 20th century political resonance to the chill despair described by Schubert. Set in the Pyrenees in September 1940, it is a psychological study of the German poet Walter Benjamin, on the night before be committed suicide while fleeing from the Nazis. In 11 interconnected scenes, be hallucinates, dreams of the past, and sways between the angels of life and death. The music, hyper-expressive rather than poetic, is scored for small orchestra and chorus, and maintains a lean Bergian flow. Its impact was considerably enhanced by Philipp Himmelmann'a semi-abstract production and the vivid performance of the American tenor Neil Wilson.

That was one of the more original "Forms of Interpretation" at Lucerne this summer. Without being dogmatic, the theme underlined again and again that interpretation is never definitive, it can never be fixed. In an age which likes to see music recorded in tablets of stone, it was s salutary reminder.

The choice of Klaus Huber as composer-in-residence was a mixed hlessing. A neat and sprightly 70-year old who has spent mnch of his professional life outside his native Switzerland, Huber has had more influence as a teacher than as a composer (Brian Ferneyhough heing his best-known pupil). His music is difficult and expensive to perform, and does not sit easily in mainstream concert programmes. The festival did its beat hy commissioning a piano concerto, which András Schiff played in the same programme as Mozart's K595. Entitled *Intarsi*, it tries to echo a Mozartian world in a succession of trills and half-tones, like a precisely calculated miniature. But it offers the soloist little more than sophisticated doodling.

In other events, Huber's idiom came over as wearisomely dated. His idealistic engagement with politics and religion was represented by a performance in the Hofkirche of *Cantiones de Circulo Gyrante* (1985), and a film of the 1983 Donaueschingen premiere of the oratorio ... *Erniedrigt, geknechtet, verlassen, verachtet* ... Both require a vast auditorium to create the necessary spatial effects, and both employ a narrator to declaim portentous texts, against a background of gloomy choral intoning. Both sound like muzak for purgatory – a complete contrast to Huber's small-scale works, of which the soulful, suggestive *Plainte* for viola d'amore (1990) was the most impressive. Les Jeunes Solistes and Ensemble Recherche were the faithful interpreters.

My own festival impressions were dominated by Felicity Lott's ravishing account of Chausson's *Poème de l'amour et de la mer*, accompanied by the Suisse Romande Orchestra under Armin Jordan; and by Heinz Holliger conducting the Deutsche Kammerphilharmonie in Mozart's *Prague* Symphony (in the same programme as the Huber piano concerto). Holliger's artless podium manner, his natural sense of style and sheer verve were a joy to behold, because they transmitted themselves intuitively to the players and were placed entirely at the service of the music. Now *there* was an interpretation to remember.

The Lucerne festival runs ontil Saturday. Box office: tel (41) 233080; fax (41) 239464

INTERNATIONAL ARTS GUIDE

■ BESANCON

The French town of Besançon is best known in the musical world for its conductors' competition, but this has now been turned into e biennial event. However, the annual music festival has developed a momentum of its own, reflected in the high calibre of artists on this year's programme. Tonight: Till Fellner piano recital. Fri: Colin Davis conducts Dresden Staatskapelle in works by Weber, Strauss and Beethoven. Sat: Il Giardino Armonico plays Vivaldi and Handel, with soprano Guillemette Laurens. Next Tues: Michel Dalberto piano recital. The festival runs till Sep 16 (8181 8226)

■ BONN

Oper Tha opening production of the season is e new dance drama on the Dreyfus Affair, devised by George Whyte with music by Alfred Schnittke and choreography by Valery Panov (next performances Sep 8, 10, 16, 24).
This month's repertory also includes Les Contes d'Hoffmann and Il Guarany, an opera by 19th century Brazilian composer Antonio Carlos Gomes (0228-773667)

■ COLOGNE

Philharmonie Fri, Sat: Marcello Viotti conducts Cologne Radio Symphony Orchestra in works by Respighi, Bartok and Hindemith, with violin soloist Kyoko Shikata. Sun: Esa-Pekka Salonen conducts Los Angeles Philharmonic Orchestra in Beethoven, Elliott Carter and Sibelius. Mon: Brahms' German Requiem (0221-2801)
Opernhaus Sep 18: Cologne Opera'a 1994-5 season opens with first night of new production of Puccini'a Trittico, conducted by James Conlon and staged by Willy Decker (0221-221 8400)

■ DRESDEN

Semperoper Tonight, Fri, Sun: new ballet mixed bill. Tomorrow, next Tues: Aribert Reimann's opera Melusine. Sat: Die Zauberflöte. Sun morning: Colin Davis conducts Dresden Staatskapelle in Beethoven's Sixth Symphony and Brahms' First. Mon: Der fliegende Holländer (0351-484 2323)
Kulturpalast Sat and Sun: Philippe Entremont conducts Dresden Philharmonic Orchestra in works by Richard Strauss, André Previn and Shostakovich (0351-486 6866)

■ FRANKFURT

Alte Oper A new chamber opera by Wolfgang Rihm, entitled Séraphin, is premiered tonight in the Mozart Saal (repeated tomorrow and Fri), ona of several works comissioned for this year's Frankfurt Festival. Tomorrow in Grosser Saal: Eliahu Inbal conducts Frankfurt Radio Symphony Orchestra and Berlin Radio Chorus in works by Bloch and Schoenberg, with vocal soloists.
Next Mon and Tues: Esa-Pekka Salonen conducts Los Angeles Philharmonic Orchestra in two programmes, including symphonies by Lutoslawski, Sibelius and Bruckner. Next Tues (Mozart Saal): Hans Peter Blochwitz song recital. Next Wed: Mitsuko Uchida piano recital. All these events form part of the Frankfurt Festival, which continues till Oct 3 (069-134 0400)
Oper The 1994-5 season begins on Oct 11 with Herbert Wernicke's production of The Ring, which will be performed in three cycles during October (069-236061)

■ GOTHENBURG

● Neeme Järvi conducts the Gothenburg Symphony Orchestra tonight and tomorrow in works by Beethoven, Tubin and Brahms, with piano soloist Leif Ove Andsnes (031-167000)
● Gothenburg's new harbourside opera house opens on Sep 30 with the first of three gala performances. The first opera production is Blomdahl's Aniara (1959), opening Oct 15 (031-131300)

■ HAMBURG

Musikhalle Tonight: Esa-Pekka Salonen conducts Los Angeles Philharmonic Orchestra in works by Beethoven, Elliott Carter and Sibelius. Sat: Andreas Haefliger piano recital. Sun: North German Radio Symphony Orchestra plays Zemlinsky and Schumann (040-354414)
Staatsoper Tonight: Il barbiere di Siviglia. Tomorrow, Sat: Entführung. Fri: Il trovatore. Sun: Henze'a The Bassarids (040-351721)

■ HELSINKI

● Elgar Howarth conducts the London Sinfonietta tonight and tomorrow in works by Knussen, Turnage, Birtwistle and other contemporary British composers, as part nf the Helsinki Festival. Francisco Araiza gives a song recital on Fri, and Graeme Jenkins conducts the Finnish Radio Symphony Orchestra on Sat in Elgar, Berkeley and Walton. The festival ends on Sun with Iannis Xenakis' musical version of the Oresteia (664466)
● This month's repertory at the Helsinki Opera includes the Bourmeister production nf Swan Lake, Carmen, Le nozze di Figaro and Lohengrin. A new production of Joonas Kokkonen's opera The Last Temptations opens on Sep 23 (4030 2211)

■ LEIPZIG

Gewandhaus The Gewandhaus Orchestra opens its new season of concerts tomorrow and Fri with a programme of Dukas, Mozart and Brahms conducted by its long-serving music director, Kurt Masur. The violin soloist is Frank Peter Zimmermann. Sat: Polyansky Chorus of Moscow in Rakhmaninov's Vespers. Sun morning, Mon evening: Daniel Nazareth conducts Middle German Radio Symphony Orchestra in Debussy, Mozart and Berlioz, with violin soloist Ines Kreutel (0341-713 2280)
Opernhaus The first new production of the season is Salome, conducted by Jiri Kout and staged by Nikolaus Lehnhoff, with a cast headed by Nancy Gustafson, Anja Silja and Falk Struckmann. First night is on Sat, repeated Sep 14 and 18. This month's repertory also includes The Merry Widow, Tosca, Swan Lake and the Kander and Ebb musical Cabaret (0341-126 1261)

■ MUNICH

Gasteig Sergiu Celibidache conducts the opening concerts of the Munich Philharmonic Orchestra's new season on Sep 10, 12, 13 and 15. The programme consists of Bruckner's Seventh Symphony. Celibidache also conducts a French programme on Sep 23, 25, 26 and 28. Georg Solti conducts the Israel Philharmonic on Sep 22, and Anne Sophie Mutter gives e recital on Sep 27 (089-4809 8614)
Staatsoper The 1994-5 season opens on Sep 21 with a revival of Der Rosenkavalier starring Felicity Lott. The season includes new productions nf Don Giovanni (Oct 31), The Excursions of Mr Broucek, Henze'a Der junge Lord, Simon Boccanegra and Parsifal (089-221316)
Herkulessaal der Residenz Maurizio Pollini gives the first celebrity recital of the season on Fri, followed by Sviatoslav Richter on Sep 13, Alfred Brendel on Sep 24 and 26, and Carlo Bergonzi on Sep 30 (089-299901)

■ OSLO

Konserthus Tomorrow: Paavo Berglund conducts Oslo Philharmonic Orchestra in works by Sibelius, Strauss and Shostakovich. Next Thurs and Fri: Mariss Jansons conducts Mozart and Beethoven. Sep 22 and 23: Oslo Philharmonic 75th anniversary concerts (2283 3200)

■ STOCKHOLM

Royal Opera Tonight, Sat afternoon, next Tues and Wed: Royal Swedish Ballet in Natalie Conus'e Swan Lake. Tomorrow, Mon: Tnsca. Fri: Ingvar Lidholm's Strindberg opera A Dream Play. Sep 15: first night of new production of Aida (tickets 08-248240 information 08-203515)
Konserthuset Tonight: Gennady Rozhdestvensky conducts Royal Stockholm Philharmonic Orchestra in works by Aulin, Börtz and Rangström (tickets 08-102110 information 08-212520)

■ STUTTGART

● Gabriele Ferro conducts the Staatsorchester in a Stravinsky and Prokofiev programme at the Liederhalle on Sun morning and Mon evening. The npera and ballet programme at the Staatstheater begins on Sep 17 with a revival nf Monteverdi's Ulisse (0711-221795)
● The Ludwigsburg Festival includes the Stuttgart Ballet Sep 16-20, a song recital by Dmitri Hvorostovsky on Sep 23 and a piano recital by Murray Perahia on Sep 24 (07141-939610)

ARTS GUIDE

Monday: Berlin, New York and Paris.
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
Wednesdey: France, Germany, Scandinavia.
Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guide.

Eurnpean Cable nnd Satellite Business TV

(Central European Time)

MONDAY TO FRIDAY
NBC/Super Channel: FT Business Today 1330; FT Business Tonight 1730, 2230

MONDAY
NBC/Super Channel: FT Reports 1230.

TUESDAY
Euronews: FT Reports 0745, 1315, 1545, 1815, 2345

WEDNESDAY
NBC/Super Channel: FT Reports 1230

FRIDAY
NBC/Super Channel: FT Reports 1230
Sky News: FT Reports 0230, 2030

SUNDAY
NBC/Super Channel: FT Reports 2230
Sky News: FT Reports 0430, 1730;

Edward Mortimer

False alarm in Cairo

Women's education, not ideology, is key to population control

While doing voluntary service as a teenager in French-speaking Africa, I shocked a Senegalese friend, a primary school teacher, by urging on him the virtues of contraception. "*Faut pas empêcher les gosses de naître, wai!*," be expostulated: You mustn't stop kids being born. (*Woi!*, an all-purpose vernacular exclamation. added emphasis to his statement.)

A Moslem, though by no means a fundamentalist, my friend had unwittingly given a succinct summary of Catholic doctrine. I had trouble with it then, and I have trouble with it now. I've always thought the Catholic Church has a better case on abortion than most liberals and feminists are willing to allow: it hardly makes one an irrational fanatic to describe the deliberate destruction of an embryo human being as the "taking of human life". But the Church weakens its case enormously by pushing it back before conception. At that stage there is no individual human life to be taken: only a myriad potential combinations, almost all of which nature will rule out anyway. Nor is it obvious that the methods of avoiding conception which the church recommends are any more "natural" than those it condemns.

At the Cairo conference on population and development, Vatican delegates are struggling to remove "pregnancy termination" from the list of things covered by "reproductive healthcare" in the UN draft document and to salvage a phrase about "taking appropriate steps to help women avoid abortion, which in no case should be presented as a method of family planning". Vatican delegates have wisely avoided taking a stand on the contraception issue. They are not helped by TV footage from the Philippines, where last month Catholics, led by Cardinal Jaime Sin, demonstrated against the conference and their government's family planning policy, with banners proclaiming: "Contraception = abortion = murder."

Similarly the conference's organisers must have been less than pleased with newspaper headlines yesterday suggesting that Mrs Gro Harlem Brundtland, the Norwegian prime minister, won a standing ovation by calling for abortion to be legalised worldwide. They have taken pains to establish that this is not the conference's agenda. Mrs Brundtland herself complained that the agenda had been misrepresented, suggesting that the term "reproductive healthcare" could not "possibly be read as promoting abortion as a means of family planning". But she clearly meant to take on the Vatican with two of her statements: that "morality becomes hypocrisy if it means mothers suffering or dying in connection with unwanted pregnancies and illegal abortions and unwanted children"; and that morality cannot "only be a question of controlling sexuality and protecting unborn life".

It is a false quarrel as each side attacks the other for a position it is not defending

It is a false quarrel about a false alarm. A false quarrel, because each side is attacking the other for a position which, in this conference at least, it is not attempting to defend. And a false alarm because the current prospect for world population growth is less catastrophic than the headlines suggest.

In an essay just published in the New York Review of Books, Prof Amartya Sen, a leading expert on the economics of famine, reminds us that the rate of world population growth has fallen in the last two decades from 2.2 to 1.7 per cent, and "is expected to go steadily down until the size of the world's population becomes nearly stationary".

The number at which it will eventually stabilise, around 10bn, still sounds alarmingly high. It is, but not – as many imagine – because most of those people will be hungry and poor: *per capita* incomes are rising and food is getting cheaper in those parts of the world where most of them are being born. The danger is the opposite: sooner or later most of them will be able to afford western lifestyles and consumption patterns, putting an unsustainable strain on the world environment.

That problem will not be solved by population control alone, but anything we can do to accelerate the fall in the birth rate should help to make it more manageable. But Prof Sen makes a strong case that coercive or "override" methods – those in which "the family's personal decisions are overridden by some agency outside the family" – are unnecessary and perhaps ineffective, as well as being inhumane. The fall in China's birth rate since 1979 may, he suggests, be due less to the authoritarian one-child policy than to "more collaborative and participatory" policies which have made education and jobs outside the home available to many Chinese women. The Indian state of Kerala, with 29m people, has reduced its birth and fertility rates below those of China without any state coercion. It is among the poorer Indian states (so economic growth is not in itself the solution, as is sometimes argued), but it resembles China in having "high levels of basic education, healthcare and so on". Most strikingly, it has higher rural literacy rates, male and female, than any Chinese province.

China and Kerala have the advantage of being neither Moslem nor Catholic. But the birth rate is also falling rapidly in Iran (where there is good basic healthcare, and the authorities came round to family planning in 1988) and in most of South America. The Tablet, the British Catholic magazine, even claimed last month, with a certain chutzpah, that because it favours women's education "the Catholic Church should be regarded as one of the most effective organisations in the world for reducing the rate of population growth". In other words, the Pope should be congratulated for educating his female followers to the point where they can ignore his advice.

Eastern comrades strike back

Unions in the ex-Soviet bloc are regaining some vigour, say **David Goodhart** and **Chrystia Freeland**

Everybody out: a rash of industrial action in eastern Europe signals a change of role for the unions

Over the weekend, the threat of strike action was enough to win a 55 per cent pay increase for the unionised employees of Romania's public television station. Bulgarian trade union leaders may take industrial action in the autumn to protest at the government's austere social policies. And in Russia coalminers are threatening to go on strike because of month-long delays in the payment of their wages.

This rash of industrial action throughout eastern Europe signals a change in the role played by unions in the post-communist world.

In the initial rush to build market economies that followed the collapse of communism, unions seemed to be relegated to a bit part. But there are signs that post-communist trade unionism is now beginning to find its feet. "We are like a youngster learning very fast," says Mr Richard Falbr, president of CMKOS, the Czech trade union confederation.

The reformed former communist unions and those that have been set up more recently face an uphill struggle to win credibility with employers and workers in an uncertain economic climate.

Western trade unions would recognise the low prestige of many of their opposite numbers in the east and the concentration of their influence in a shrinking public sector.

"Trade unionism has a bad image from the decades when it was just a transmission belt in the factory for [Communist] party instructions," says Mr Falbr. Even basic trade union concepts, such as "worker solidarity", have negative associations – conjuring up the image of having to work an extra Saturday morning shift for some far-away, anti-imperialist struggle.

In Russia, where the unions have changed little since Soviet times, a recent poll found that 73 per cent of workers thought them ineffective at defending workers' rights. The existence of state-imposed incomes policies – in the form of limits on wages – in Russia and elsewhere in the region adds to the feeling that the unions make little difference in workplaces. And continuing rows between the old unions and the new reduce what little collective power the unions might be able to muster.

Moreover, the labour market shake-out – supported by most mainstream political parties – does not make fertile ground for trade unionism. Excluding Russia, where formal unemployment is still less than 3 per cent, employment has fallen by an average of 20 per cent in the former eastern bloc in the past four years and average real wages in most countries are only now regaining their pre-transition levels. In Russia, Ukraine and some other countries of the former Soviet Union, they are still substantially below that level.

Despite guidance from western unions on recruitment strategy, unions remain weak to non-existent in the private sector, which now employs more than 50 per cent of workers in more advanced states such as Poland and Hungary. "Subject to state regulations, it appears that private employers can set pay levels, pay structures and employment conditions unilaterally," says a recent World Bank survey.

Mr Guy Standing, head of the International Labour Organisation's Eastern Europe unit in Budapest, says this is a worrying long-term trend. But there are countervailing factors – economic and political – which should ease his fears.

As big, strongly unionised plants are moved into the private sector through accelerating privatisation programmes, the union foothold there may strengthen. Thanks to the distribution of shares to workers in many countries, as part of the privatisation process, several large companies now have an important element of worker ownership. The better organised unions are exploiting that to influence management decisions.

Further, despite the free-market rhetoric of many governments, there are national tripartite commissions (governments, unions and employers) of varying influence in most countries. The newly elected Polish government has raised the status of its tripartite commission. Similarly, the left of centre government in Hungary wants to strengthen the voice of organised labour in revising the country's labour law.

In pay setting, too, union influence may be growing. Though their strength lies in the public sector, unions may be affecting wage levels in the private sector. Mr Simon Commander of the World Bank says average wages in the two sectors are almost identical throughout the region, with the exception of Russia.

At workplace level, unions are scoring successes in some countries. Mr Christoph Drzewicki, a senior official of Solidarity, says the Polish union recently won an important recognition battle at Elgaz, a private sector heating company. He also points to the new co-operation between Solidarity and its ex-communist rival, OPZZ, in a strike, recently ended, at the Italian-owned Lucchini steel plant.

In Russia, unions may be weak but they remain relevant in millions of people's lives. The enterprise remains an important source of welfare services and even of food and housing, and in most big plants the unions are still allowed to play an important role by managers, who see maintaining high employment levels as a crucial part of their job. The Russian Confederation of Trade Unions, with more than 60m members, lobbies alongside managers to maximise subsidies.

The mass membership and substantial resources of the unions also give them potential clout in a region where political parties have only tiny memberships. The percentage of workers in unions ranges from a low of about 40 per cent in Poland to a high of 75 per cent in Bulgaria.

The influence of unions in some pockets of the economy can be considerable. Workers in the Fiat and GM plants in, respectively, Poland and Hungary have also been asking for wages to be raised in stages to western levels. Most foreign employers expect wages to rise, given the proximity of much better-paid western Europeans.

In the Czech Republic, for example, Mr Falbr, the union leader, is pushing hard to lift wage levels. "At present our productivity is about one-third western levels, but our pay is about one-tenth western levels. That cannot last," he says.

Official Czech unemployment is lower than anywhere in the region apart from Russia. That is partly because wage and non-wage labour costs are lower than in Poland and Hungary (where non-wage labour costs are about 50 per cent of wages costs), unemployment pay is less generous, and there has been less corporate restructuring.

He rejects, however, the claim by union leaders elsewhere that the Czech unions are among the weakest in the region. "We may have been less militant, but we still have a lot of influence," he says, pointing to a successful lobby to reform a recent pension law.

In the long run, Mr Falbr would like to see Czech industrial relations following a German model of works councils in companies and union representation on company boards, but he recognises this is some time away. Others, such as Mr Drzewicki of Poland's Solidarity, suggest that the French model – with low union presence in factories and offices, but strong labour laws and an influential voice for labour at national level – is a more realistic long-term option.

Just as trade unionism in Asia has not followed practice in Europe or America, so in eastern Europe and the former Soviet Union a new model may emerge. Despite the tough times the unions are going through, one thing seems certain: they are here to stay.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. *Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution*

UK ahead or alone in Europe

From Mr Richard Brown.

Sir, Whenever there is talk of a multi-speed Europe ("Europe at odds over integration", September 3/4) there appears to be an automatic assumption that the UK would be in the slow lane. To examine just two areas where the UK is often labelled a laggard: the UK has implemented more social and employment directives than any other member state, and is the closest to meeting the convergence criteria for Emu. The multi-speed approach is already a fact of European life, and its recognition is a pragmatic response to tha challenges of enlargement. It is not the multi-speed approach which threatens the UK, but the danger that one of those speeds might be reverse.

Richard Brown,
deputy director general,
Association of British Chambers of Commerce,
9 Tufton Street,
London SW1P 3Q8

From Dr Chris Terry.

Sir, Two-speed Europe? The slow lane for Britain? Some analysts will feel the European issue is successfully marginalised. Of late, UK policy seems to proceed by an adroit isolation of others. In fact, the process is so subtle that we will shortly stand quite alone. And is this success?

Chris Terry,
Essegger Str. 63,
D-71067 Sindelfingen,
Germany

High cost of legal monopoly

From Mr Greville Warwick.

Sir, If Lord Mackay is to consider the appropriateness of legal aid for the Maxwell brothers he should also consider the reason why otherwise very wealthy people cannot afford legal representation in Britain's courts ("Cheap ride on trial", August 30).

The truth is barristers and solicitors have exploited their unique monopoly position to price everyone out of the market. Only government, with monopoly taxation powers, can provide the millions for fees.

Ian and Kevin Maxwell are entitled to expect a fair trial and fair, reasonable and controllable legal costs. Under present conditions that is not possible, so legal aid must continue to pour into the bottomless pit of lawyers' earnings.

This is now a serious political issue. How can it be that a single case and a mere handful of lawyers and their experts can mean financial wipe-out for most firms and practically all private individuals.

Greville Warwick,
MCS, Leycester House,
46 Leam Terrace,
Leamington Spa CV31 1BQ

Resources wasted through energy policy

From Mr D L Bulmer.

Sir, Mr David Porter's call for more competition in the European Energy market is to be welcomed (Letters, August 31).

However let us hope that moves to introduce more competition take account of the grave defects of energy deregulation as witnessed in the UK since electricity privatisation.

The UK experience has seen the introduction of a system that gave the generators a broad portfolio of generating plant but no guaranteed market, and the regional electric companies secure markets but no plant. The commercial decisions that stemmed from this – the dash for gas – effectively did for the UK coal industry because, although in the main cheaper than gas, the generators' mark-up rendered purchase from this source by the regional electricity companies unattractive.

Valuable coal resources and coal generating plant have been squandered on the back of this policy to the detriment of the consumer.

Similarly, let us hope that any moves to greater energy price transparency in the European Union allowe for equal treatment between fuels, as compared to the UK situation where the governmant's regime provides a substantial and anti-competitive subsidy to nuclear energy through the non-fossil fuel levy.

Indeed, this leads to the sad fact that the UK purchases French nuclear electricity at substantially higher costs to the consumer than would be the case without the non-fossil fuel levy.

D L Bulmer,
president,
British Association of Colliery Management,
BACM House,
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DN1 2DN

Drucker ideas not such a rosy prospect

From Mr Peter Kruger.

Sir, Perhaps Samuel Brittan has read something in Peter Drucker's latest venture, *Post Capitalist Society*, which I missed – as the conclusions which he draws from the work seem very optimistic ("Aim at the climate, not the weather", September 5).

If Drucker is read in conjunction with *Beyond the Limits*, by Meadowa and Meadows – inspired by the Club of Rome – the idea of market forces prevailing in a world where global communications has produced ungovernable and perhaps, despite what Drucker suggests, unmanageable superstates is not such a rosy prospect.

Peter Kruger,
Digithurst,
Nawark Close,
Royston,
Herts SG8 5HL

Body Shop: a cowardly attack, and a salutary experience

From Mr Michael P Day.

Sir, The Body Shop's commitment to environmental, animal welfare and conservation issues is well established. Is it not remarkable that, in a world so consumed by avarice and capricious self-interest, the US presumes to enlighten us with a piece of such pure altruistic delight?

John Entine's cowardly attack on the achievement of Anita Roddick (and Co) should be treated with contempt. The market has responded thus and rightly so.

The critically endangered Siberian tiger would be one step closer to the edge were it not for the brave foresight and initiative of the Body Shop. A strange irony when a certain petroleum company of highly questionable environmental pedigree has all bot discarded its tiger mascot on to the refuse tip of extinction.

Michael P Day,
chairman of the board of trustees,
The Tiger Trust,
Chevington,
Bury St Edmunds,
Suffolk IP29 5RG

From Mr Rupert Pearson

Sir, I refer to the letter from Mr Robin Bines and others ("Allegations against the Body Shop lack any real evidence", September 1). The letter could well havs been written by industry in response to the "unproven allegations and the facts blown out of all proportion" which are so often levelled by the environmental movement against sectors of manufacturing industry. It will perhaps be a salutary experience for the environmental movement to be subjected to the sort of treatment which it so often metes out to industry, frequently based on unproven allegations, selective "facts" and inaccurate information.

I congratulate you in having the courage to publish the reporta on the Body Shop which I have read with great interest. Perhaps it may lead to further critical questioning and challenges to other organisations parading their green credentials.

For too long, industry and others who contribute to the health, prosperity and the well-being of aociety, have been on the receiving end of unsubstantiated green claims without tha green movement and its claims being subjected to the same scrutiny.

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FINANCIAL TIMES

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Wednesday September 7 1994

Optimists in Ulster

Mr John Major's cool reaction to the "complete" ceasefire declared by the IRA last week is finely judged. The prime minister's insistence on a copper-bottomed guarantee that violence has been permanently renounced is quite understandable. This is not a matter of mere semantics. As the Northern Ireland secretary, Sir Patrick Mayhew, has intimated, the use of the word "permanent" is of less importance than the desirability of extracting an undertaking from the military wing of Sinn Féin that it does not intend to take up arms again. Anything less would feed the suspicions of Ulster Unionists.

The anxieties of Irish nationalist politicians are all the other way. Rush to embrace Mr Gerry Adams, their actions suggest, or the peace will be lost. The president of Sinn Féin was seen by many only a week ago as the public face of a two-headed organisation steeped in blood. Now the world is asked to regard him as the man who talked the IRA into laying down its weapons. The Irish view, reflected in Washington, appears to be that that historic decision must be rewarded by at least the appearance of political momentum, or the conflict may be reignited.

Extraordinary scenes

Whatever its merits, this argument can be the only explanation of yesterday's extraordinary scenes in Dublin, when Mr Albert Reynolds welcomed Mr Adams, along with Mr John Hume, to discuss preparations for a "National Forum for Peace and Reconciliation". The Irish prime minister is undoubtedly devoted to ending the violence. So is Mr Hume, who as leader of Ulster's Social Democratic and Labour party has risked a great deal to bring the IRA/Sinn Féin into democratic politics. As to Mr Adams's commitment, the jury is still out.

In short, yesterday's apparent rift between London and Dublin need not damage the prospects for lasting peace. It could indeed be helpful. Nothing said by Dublin or Mr Adams will persuade the terrorists on the "loyalist" side to cease their murderous activities; what the British government says or does could be decisive. Each government must address its own set of intransigents according to its own circumstances.

The British way is, rightly, to avoid euphoria within the first few days of an IRA announcement. Mr Major may be at odds with the ultra-unionists within his own party, but he has the support of Mr Tony Blair, who has moved Labour away from its pro-nationalist tilt, and, for the Liberal Democrats, their spokesman Lord Holme. Backed by the two principal opposition parties, and his own cabinet, he should be able to resist the blandishments of well-meaning peacemakers in the US and Ireland.

Self-determination

Optimists may therefore regard the events of the past few days as constructive, provided that the terms of the Irish-British declaration issued at Downing Street last December are not breached. The essence of that important document is that the right to self-determination of the people of Ulster is recognised.

On this page Mr Enoch Powell writes of a conflict of nationalities; the declaration stands as a guarantee that the people of the six counties will be ruled under the British crown unless a majority of them freely consent to a change. In those circumstances there will be a united Ireland; otherwise not. If Sinn Féin rejects this, its entry into the democratic process will not be permanent.

Perhaps both sides, nationalist and unionist, need further coaxing before they will accept the merits of the declaration. This will require much talking. Fortunately, there is much that could be talked about.

In the spirit of the Anglo-Irish agreement concluded by the then Mrs Margaret Thatcher, there is the prospect of allowing the people of Ulster to govern themselves, while reassuring the Catholic community that the old Protestant ascendancy would not be restored. In today's language, what is required is a series of agreements that would construct a relationship of variable geometry. An elected executive in Belfast could negotiate cross-border arrangements with Dublin. Both could do political business with London. The possibilities could be limitless. The risk is a collapse of the peace; the potential reward a permanent end to a long nightmare.

Mr Berlusconi's looming deficit

When Silvio Berlusconi promised voters an "Italian miracle" back in March, resolving a fiscal crisis was probably not what he had in mind. But a pain-free solution to Italy's structural debt problem would be just that. The world's financial markets are not looking for a miracle, but their lack of confidence will inflict its own pain if the government does not start being similarly realistic.

The Italian cabinet yesterday began the process of agreeing the details of the budget package it should present to parliament by the end of the month. Judging by some of the recent public squabbles between ministers, the negotiations over how to finalise the budget plan announced in July will not be peaceful. But the mood outside, among financial investors, is not tranquil either.

Investors' lack of faith in the Berlusconi government's fiscal resolve has led to a steady rise in the gap between Italian and German long-term government bond yields. Italian long rates, now around 12 per cent, are some 470 basis points higher than German ones, compared to a gap of just over 300 at the beginning of the year. Stock prices have caught the same malaise: the Milan stock price index has fallen more than 8 per cent over the past three months.

Italy, of course, is not the only country to have sparked financial market jitters in recent months. Indeed, at first glance the distrust of the markets seems overdone. The measures of fiscal retrenchment achieved by Mr Berlusconi's predecessors helped make Italy the only country in the Group of Seven, apart from Japan, to run a primary budget surplus in 1993. This meant that revenue exceeded expenditure by some 2 per cent of GDP, before deducting interest. Yet Italy's more profligate past, coupled with recession, mean that over a fifth of total spending is taken up with such payments, while the level of public debt, now the equivalent of more than 125 per cent of GDP, continues to rise.

Fiscal woes

It is not merely the size of Italy's debt problem that is concerning observers. Nor is it the usual fear, that the government will look to inflate away the debt. Inflation has been subdued in recent months, and there is little to indicate that it will pick up in the near future. The Bank of Italy sent its own signal that it would not allow monetisation of the country's fiscal woes with its "pre-emptive" interest rate increase on August 11. The action had a dual target, Mr Berlusconi and the markets. It certainly failed to reassure the latter: the lira promptly fell to further record lows against the D-Mark. But this was largely because it is not clear that the message to Mr Berlusconi has hit its mark.

Economic recovery

Though economic recovery is now well under way, its delay in arriving helped to send the 1994 budget deficit above its target level of L145,000bn. This means that the primary budget surplus for 1994 is likely to be well under 1 per cent of GDP, and the debt, once projected to stabilise in 1995, probably will not reach its peak until the following year at the earliest, at 130 per cent or more.

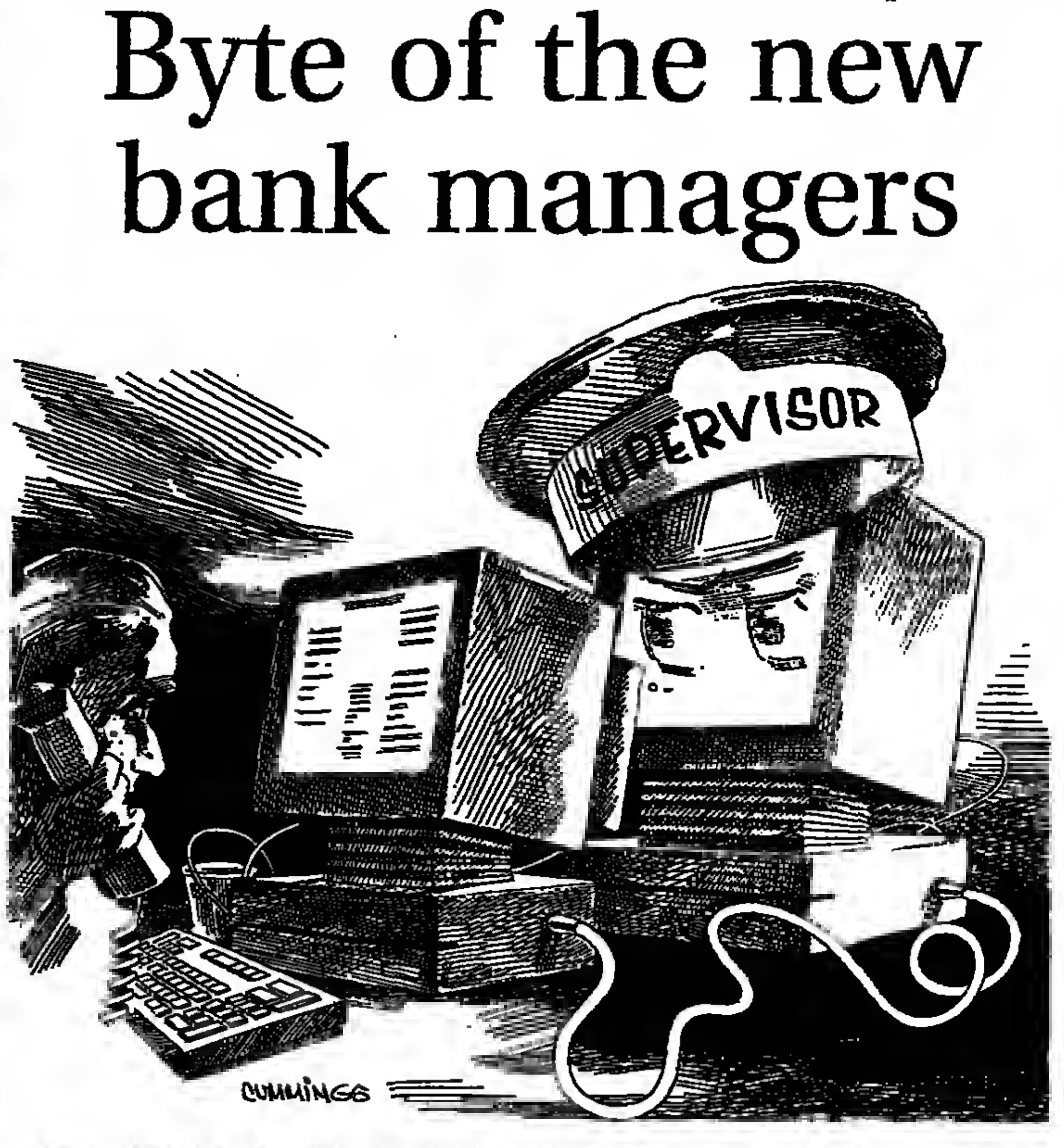
The government's long-awaited response to this, the deficit reduction plan aimed at saving L45,000bn over 4 years, is of the right order to keep the debt on its previously intended path. As yet, however, the plan has been uncomfortably short on detail, and what detail there is hints at one-off reactive measures, not the kind of systemic reform, above all of the bloated state pension system, which long-run fiscal health will require.

It would take some selling by the prime minister to convince a majority of the cabinet, and the public at large, of the need to return to these questions so soon after the pain of the last two years. The recovery is fragile, and Mr Berlusconi has made little effort to ready them for further sacrifice. Indeed, on economic matters, he maintains much the same determined stance against higher taxes that he used to win over voters on the campaign trail.

The contradiction between what he must do and what he seems willing to do is not lost on the financial markets. But falling investor confidence, by pushing up interest rates, can only make the gap wider, and the need to breach it even more urgent.

John Gapper and **Tracy Corrigan** on the rise of in-house computers – rather than humans – as financial supervisors

Byte of the new bank managers



They sit, gleaming and humming, on the trading floor of every large bank in the world. They are consulted by traders before decisions are taken to buy and sells bonds or shares. They trace curves plotting the price of options, the financial contracts giving the right to buy and sell other securities. They are "black boxes", the high-powered computers that no large bank which trades securities can now afford to be without.

Software "models", run on these machines and used to analyse masses of data to predict prices, now have a substantial impact on financial markets. By telling banks which securities to buy and sell, at what price, they have become the new masters of many trading floors. But they are now set for even greater recognition. Central banks and other banking supervisors worldwide are working on plans to allow banks to use their models to fix how much capital they need to keep in reserve to support their trading.

The implications are large. By accepting the use of banks' own models in a regulatory role, supervisors would be taking a big step towards a new form of oversight. Instead of the traditional close, human, examination of individual transactions, they would instead monitor the way in which banks use computers to control risk. They would do so as part of new capital requirements for trading activities.

The financial impact of these new rules could be enormous. Since 1988, when the Basle Committee of international bank supervisors agreed the first global standards on capital needed to back lending, banks have built up stronger reserves. They have also cut the types of lending, such as loans to companies, which are rated as requiring a lot of capital under the Basle accord.

But the growth of banks' trading activities in the 1990s has been encouraged by the fact that they are not yet required to allocate any capital to cover the risks of trading in financial instruments. In practice the risk of default on securities is low – so that under Basle rules only minimal capital needs to be allocated. Yet banks risk losses from falls in the price of securities – as they found to their cost this year when European interest rates rose.

Supervisors have wanted to plug this gap since 1988. Their first effort to do so came 18 months ago when the Basle group published its "market risk" proposals. Supervisors says that these could add up to 1 percentage point to the average 8 per cent capital-to-assets ratio required for lending risks. This would have required big UK banks alone to hold a total of £400m more capital, and could lead to banks restricting some forms of trading.

The original Basle proposals provoked alarm among banks. Instead of using what banks regarded as state of the art modelling methods, the Basle supervisors proposed a set of pre-determined rules to calculate capital requirements. Different products such as equities and bonds would be treated separately. In the case of bonds – a complex area – banks would have to allocate capital to cover their risk of loss in each of a set of 13 timeframes.

"The proposals came from an era when you added up positions on a piece of paper," says Mr Steven Hellinger, director of research at the State of New York banking department. "Banks had constructed ways [of using computers] to measure risk at no small expense, and it seemed as if they would get no recognition for that," says Mr Mark Brickell, head of derivatives strategy at US bank J.P. Morgan, which uses some of the most sophisticated computer models.

Such models have developed through necessity. Because the pricing of instruments such as financial derivatives – products that derive their value from that of an underlying security or index – depends on mathematical theory, banks have to use models to understand them.

Banks now use models to measure the total risk of loss in trading portfolios. Mr Charles Taylor, executive director of the Group of 30, an association of senior bankers, says that models can not only aggregate different forms of risk but are "much more analytically rigorous than the old rules of thumb that bankers used to use".

Such arguments lay behind the banks' objections to using the Basle formulae instead of their computer models. They had two main complaints.

First, it would add to their costs. Although banks could re-write software to collect the data required by the Basle committee, it would not be simple. Models add together the risks of different products, and give an immediate, rounded picture of the total trading risk the bank is running. "It is hard to collect extra data that puts a portfolio into different boxes," says one supervisor.

Second, by treating all banks equally, it might discriminate against the more sophisticated institutions. Banks argued that they would have to hold less capital if they had better risk management methods. This argument was received sympathetically by supervisors. "Standards of sound practice are moving forward all the time, and we want to encourage banks to be in the front line," says another bank supervisor.

These arguments persuaded the Basle committee to change its mind. At meetings in March and June, it decided to examine whether banks could use their own computer models as an alternative to the standard rules. The difficulty for supervisors is to construct a framework for approving computer models. If rival banks' models led to them allocating different amounts of capital for the same trading activities, it would distort competition. Banks might also be able to rig their models to ensure that they needed less capital. A free-for-all of this kind would be very alarming for supervisors.

Supervisors have now drawn up a draft set of rules with which models would have to comply. This includes regulations on the number of years of past market movements against which banks' portfolios would have to be tested. Supervisors will shortly start testing models by running the same trading pattern through each model, and seeing if they produce a similar capital requirement. If they do not, the framework will be tightened.

There is no guarantee of success. The regulator which has come the closest so far to allowing the use of models to measure risk is the Securities and Futures Authority in the UK. But the SFA only allows models to translate financial derivatives into bonds and equities with comparable risks. These are then judged according to a set of rules similar to the original Basle list. The latest Basle approach is more ambitious.

Allowing the comprehensive use of models envisaged by bank supervisors would be tricky even if they were tried and tested. In practice, they are a recent innovation, and are still being developed. It is not clear that they can assess properly the risks of instruments such as options, the most complex form of derivatives. Some supervisors say options will have to be treated separately in new Basle proposals, which could undermine their coherence.

The supervisors are working against time. They would like to see common capital standards not only for banks across the world, but for both banks and securities firms. But capital requirements for European banks and securities firms have been set in the European Union's capital adequacy directive that will come into force in 1996. It could only be amended to fit with the Basle framework before then.

But probably the greatest challenge for bank supervisors is to ensure that they do not weaken management controls by allowing banks to use internal models. "It would be intolerable if a company started to market its models as "central bank approved", says a supervisor. "People get hooked on mathematics, but the most important thing is that the management understands what is going on."

Mr Tommaso Padoa Schioppa, chairman of the Basle committee, admits that there is a danger that approval of banks' models will be misunderstood. "If internal models were accepted, it would not amount to a relaxation of supervisory standards. If there is a misunderstanding about this, it will have to be clarified," he says. Black boxes already rule some bank trading floors; supervisors will have to watch how their influence spreads.

Ulster – not an issue for compromise

PERSONAL VIEW

Peace is preferable to war, and persuasion is preferable to force. Those are truisms which politicians need to respect – as much as, or more than, anyone else. But those who voice doubts about so-called progress (progress to what?) being made as a result of the IRA ceasefire are not breaking that rule. They have solid reasons for their scepticism.

The beginning of wisdom in approaching Northern Ireland is to clear the mind of everything conjured up by the term "sectarian".

If terminology there must be, it is not Catholics who are confronting Protestants – on that basis one could make no sense of the voting pattern at elections – but Irish nationalists confronting unionists. It is nationality, not race, not religion, which is at stake.

On the issue of nationhood – that is, the question by whom are we to be governed – there cannot be peace through compromise or negotiation, and in Northern Ireland that is the great paramount issue. The British parliament ruled Ireland – or, what comes to the same thing, Ireland was ruled under the British parliament – from long before the parliamentary union of 1800 seated Irish representatives at Westminster. At the general election of 1918 the inhabitants of the north east of Ireland continued to send representatives to parliament, while the inhabitants of the rest of the island refused. The south voted itself out. Just as surely, the so-called north, meaning the six counties of Ulster, voted to stay in.

That determination has not changed on either side since then. Listen to Gerry Adams, and you hear that. Look at the voting at general elections in Ulster, and you see that. The dispute is about nationality – about whom we are to be governed by. That is why it can only be ended if one side or the other is set upon giving way.

The impression that there has been a deal done in secret which has not yet been revealed is thoroughly logical. The unionist people

It is not Catholics who are confronting Protestants. . .but Irish nationalists confronting unionists

of Ulster are not fools. They know that what is at issue is an absolute, and they treat those, from the prime minister downwards, who talk about talks, about political progress, and about compromise and concession, as necessarily dishonest.

Short of inventing a method whereby "a man can serve two masters" there can be no peace in Northern Ireland so long as the right of the majority to their nationality is open to question. All down the years the perception that the British government really wanted rid of Northern Ireland has caused, maintained and fuelled violence.

The Irish nationalists are not fools any more than the unionists. They know that the ballotbox will not put them into the nation to which they claim to belong. Ergo alternative methods must be used to bring the desired result about.

The true disturber of the peace in Northern Ireland is the stance of British governments which have continually behaved as if they wished Ulster out of the UK. The Anglo-Irish agreement of 1985 was a prime example. Under it, Britain agreed to govern Northern Ireland only in combination with the Irish Republic.

Certitude as to the future is the precondition of peaceable living in Northern Ireland. The superficially hard-faced reassertion, in practical terms, that Northern Ireland belongs for good and all to the UK is the sole condition on which tranquility will return. In the end it may be hard to foresee the UK formally withdrawing from the citizens of the north east of Ireland the right they have possessed from time immemorial to be governed within the UK.

The day is long past for looking for a wheeze to disguise or to deny that right. That way lies more bloodshed and not less.

J. Enoch Powell

The author, a Conservative cabinet minister in the 1960s, was Ulster Unionist MP for South Down for 13 years until 1987

OBSERVER

A taxing Olympian task

■ Among the aristocrats, military generals and multi-millionaires who grace the International Olympic Committee, Craig Reedie, a Glaswegian independent financial adviser, constitutes a breath of fresh air.

Better known to sportsmen as the chairman of the British Olympic Association, Reedie has just beaten runner-turned-MP Sebastian Coe to become the second Briton on the IOC (alongside the Princess Royal), replacing Dame Mary Glen Haig.

A law graduate from Glasgow University, Reedie has still been spending most of his time working for D.L. Bloomer & Partners, the firm he joined nearly 30 years ago, where he is now the partner flogging pension plans.

But his IOC election is good news not solely because it means one persuasive salesman with less time to spend on your doorstep. More than most, he has been sensitive to the fragmentation of British sports administration. With his hugely enhanced kudos, he can surely win a more powerful role for the BOA.

Bungalow build

■ Clearly a quango that delivers what it promises, Britain's Housing Corporation, which has been having a reorganisation in its central registration and supervision division (RSD).

The new-look RSD, whose function it is to regulate the housing associations, is promised a "flatter structure with shorter reporting lines". Seldom can a review have been accomplished so deftly. The organigram of the new structure comprises one box inhabited in solitary splendour by the division's director, Derek Young, which is connected by a single line to another, rather jollier box encompassing all 33 "supervision, consents, registration, administration, policy and information officers". Yup, that's it.

Mission to refrain

■ A whole new media industry is threatening to explode – books about the British Broadcasting Corporation. A tantalising biography of John Birt, the BBC's director-general, should soon arrive.

Meanwhile, those needing a quick fix could do worse than dip into *The Battle for the BBC* by Steven Barnett and Andrew Curry, academic and former BBC hack, respectively. No major surprises or scoops, just a respectable analysis of the BBC's fate over the past decade.

But it has its nuggets. One delightful passage considers the Birtian "method", employed when he ran features and current affairs at London Weekend in the days when *Weekend World*

'I've been using the male contraceptive pill again, Father'

was essential viewing.

Birt always required a fully drafted, painstakingly prepared script, right down to knowing exactly what every interviewee would say, before any filming happened. A good way of saving costly film stock, but obviously open to abuse. Say the authors: "This sometimes meant coaching [interviewees] in what they were supposed to be saying even if – as could happen – they had changed their minds . . . There were reliable punters who would be prepared to come on at short notice and deliver the agreed formula. Andrew Neil, then industrial editor of The Economist, was one."

So what can one expect from Neil's latest exploit, namely his programme for Rupert Murdoch's Fox TV station entitled *Full Disclosure*?

Stamped out

■ When is freepost not free post? When it's Freepost. The Union of Communication Workers, which is being advised in its anti-privatisation campaign by Sir Tim Bell, has printed masses of postcards to distribute to the public, in the hope that UK trade and industry secretary Michael Heseltine will be sunk beneath a tidal wave of protest.

The cards go Freepost, but cost the union 20p a time. Which could get expensive – depending on how many actually get delivered.

Floating voter

■ And now, an example of the left hand not being entirely confident about what the right hand is up to.

Tsang Yok-sing, chairman of the democratic alliance for the betterment of Hong Kong (DAB) and one of the British colony's staunchest pro-Beijing politicians, has admitted that his wife and daughter have emigrated to Canada and that he too had considered jetting off.

The DAB is campaigning in current local elections with the slogan: "Stay behind and build Hong Kong". Maybe the family went on an extensive recruitment drive . . .

Book squirm

■ A revolution is about to erupt in that normally placid market, dictionary publishing. Chambers is publishing an Encyclopedic (sic) English Dictionary combining both lexical and encyclopaedic information and definitions. So "bonzer" (Australian slang meaning good) will nestle close to "Bosnia-Herzegovina" (Serbo-Croat for oh what an awful mess).

It must surely rank as one of the fastest-to-go-out-of-date publications in history. How long will "scuzzy" (US slang for filthy) or "humungous" (colloquial for enormous) last? But check out the entry for Macedonia. All it says on "economy" is "market gardening".

That's the spirit

■ The digital Population Clock installed in the foyer of Cairo's International Conference on Population and Development, which had been soaring by more than a person a second into the upper 5,656,900,000s as the conference opened, was suddenly blank yesterday.

It had apparently blown a fuse. Or was it the ghost of Thomas Malthus making its contribution to proceedings?

FINANCIAL TIMES
Wednesday September 7 1994

Arrest warrant issued for Mexican bank chief

Head of Del Monte Fresh group faces fraud charges

By Damian Fraser in Mexico City

The Mexican governmeot has ordered tbe arrest on fraud charges of Mr Carlos Cabal Peniche, head of one of the country's largest hanking groups and of Del Monte Fresb Produce, the international fruit company once owned by Polly Peck International.

The finance ministry immediately took over Mr Cabal's Banca Cremi and Banco Unión – which have combined assets equivalent to nearly $11bn and deposits of $9.8bn – and their subsidiaries, including a foreign excbange house,. and leasing and factoring companies. It said the alleged irregula:ities suspected so far did not affect the banks' ability to meet their obligations, but all depositors would be protected under the law.

A government official said yesterday that Mr Cabal had not yet been apprehended, with reports circulating that he may be in Europe. However, the official said that four of Mr Cabal's senior executives had been arrested, and about 10 people connected to the case were in jail. The first casualty of the charges against Mr Cabal may be his intended purchase of Del Monte Foods, the San Francisco-based canned food company. in June, Mr Cabal and his investor group agreed to buy the US company for $277m in cash and about $700m in debt. Howevar, according to Mexican government officials, the transaction has not yet beeo completed.

Mr Cahal bad planned to remerge Del Monte Fresh and Del Monte Foods, which were spilt up and sold by RJR Nabisco of the US in 1989. Mr Cabal subsequently bought Del Monte Fresh Produce out of UK bankruptcy proceedings against Polly Peck.

Mr Pedro Aspe, Mexico's finance minister, announced on Monday night that the attorney-general's office had issued an arrest warrant against Mr Cabal, accusing him of having illegally lent himself money from his banks to acquire various business interests. These loans, the ministry alleges, "represent serious alterations to the accounting of the bank and failure by the administration to observe basic banking practices".

Mr Cabal has risen from relative obscurity to run one of the country's largest business empires. He bought Banco Unión from the Mexican government for more than $300m in 1991 and Del Monte Fresh for about $500m in 1992, and last year took control of Banco Cremi in a share swap with Mr Raymundo Gómez Flores, who controls Dina, the truck company.

However, Mr Cabal is being sued by Easthrook, a now defunct US trading house, which alleges that be defrauded it of $70m of loans. Mr Cabal has vigorously denied these allegations.

Shock waves spread, Page 3

Card-size camera gives computer new image

By Alan Cane in London

British technologists have created what they claim is the world's first commercially available miniature video camera able to capture and incorporate images directly on to a portable personal computer.

The credit-card sized "PC Card Camera", developed by VLSI Vision (VVL) of Edinhurgh, Scotland, and costing abont £600 with connections and software, is seen as having widespread business applications in industries where employees use portahle computers to collect information. Damage assessors working for insurance companies, for example, would be able to add photographic images of wrecked vehicles or property to their reports.

Mr Alastair Minty, the company's product manager, said the camera, available now, has been on trial with a number of large companies over tbe past few months.

In its present form, it can take single hlack and white snapshots or sequences of stills and incorporate them into documents on the computer screen. Mr Minty said that with additional software full motion video was possihle.

The camera opens np new possibilities for companies with staff in the field who use portable computers. Images of individuals, documents and events can all be captured and recorded by the card camera and incorporated into reports. Outside its strict business applications, ths camera has been used by golfers to analyse their swing.

Connected to a mobile telephone system, the card camera would make personal video conferences between the office and a field location possihle. Mr Minty said the company would shortly be adding sound to the system.

VVL, formed in 1990 by Professor Peter Denyer of Edinburgh University, and Mr Roy Warrender, a Scottish compnter engineer, has attracted attention for pioneering work in machine vision. It is credited with developing the smallest and cheapest video cameras on the market. It has also developed a system for recognising human fingerprints and a video camera on a single microchip selling for less than $10.

Donnelly Corporation, a large US-based vehicle components manufacturer, holds a sizeable minority stake in the company. VVL is developing video systems for Donnelly that will eventually replace conventional car rear-view mirrors.

VVL's achievement in developing the card camera bas been to integrate the electronics into a credit-card sized component called a PCMCIA card, an industry standard for portable computing.

Currency

Continued from Page 1

nations committed to faster integration in the EU. The ruling Christian Democrat party and its CSU coalition partner proposed last week that the hard core sbould consist of France, Germany, Belgium, the Netherlands and Luxembourg.

France, Germany and the Benelux are often viewed as the most likely nucleus of the planned monetary union. But Mr Lamfalussy stressed it was too soon to predict which EU members would be ready to form a union by 1997 or 1999, the two dates named in the treaty.

Without mentioning Italy, Spain or the UK, the EMI president paid tribute to countries which seemed to have escaped "the infernal cycle of inflation", even while allowing their currencies to depreciate during the monetary upheaval of 1992-93.

This turbulence, which led to the widening of fluctuation bands in the European Monetary System in August 1992, appeared to be over, said Mr Lamfalussy. But he said the wider EMS bands should be preserved in order to defend currencies against speculative pressures.

Mr Lamfalussy said the Frankfurt-based *EMI* would be up and running hy November. Its two main tasks were to set up the organisation of a European central bank, and to co-ordinate monetary policy during the preparatory second stage of Emu.

Anticipating criticism that the EMI's powers are limited in relation to national ceotral bank governors and EU finance ministers, Mr Lamfalussy said: "There is no doctrinal conflict, there is no disagreement about the objective of price stability. It is a question of bow to reach that objective."

US approves role of Russian troops in CIS states

By John Thornhill in Moscow, George Graham in Washington and Chrystia Freeland in London

Ms Madeleine Albright, the US ambassador to tbe United Nations, yesterday approved Russie's peacekeeping role within ths Commonwealth of independent States but stressed that it fell short of the best solution for settling disputes in the region.

Ms Albright also insisted "the burden of proof is on Russia" to demonstrate that what it sees as peacekeeping activities – sometimes described by leadsrs of non-Russian repuhlics as a veiled form of neo-imperialism – are benign.

Ms Albright's qualified acceptance of Russian military presence in some of the former Soviet repuhlics along its borders appears to give substance to an emerging "pragmatic" American approacb to Russia.

The policy, articulated by Ms Alhright during a tour through Moldova, Georgia, Armania, Azerbaijan and Russia, appears to take a middle ground between US hawks wary of Russian neo-imperialism and those willing to grant Russia a free hand.

During her trip, *Ms Albright* spoke out sharply for the withdrawal of Russian forces from the European repuhlic of Moldova, which borders Ukraine. But in Moscow yesterday she said the US would be prepared to accept the continued presence of Russian peacekeepers in the more volatile republics in the Cancasus and central Asia.

She said of the newly independent states that "Russia has the resources, direct interest and the leadership required to belp resolve the problems in this region", but warned "Russian policies and actions must reflect the fact that it is no longer surrounded by vassals, but by independent, sovereign states".

Ms Alhright, who is a member of President Bill Clinton's cabinet and National Security Council, said it would be preferable for the UN to police the trouble spots in the former Soviet Union but that this was impractical because of demands on its resources.

"Were it possible to have a normal peacskeeping operation I think we all agree it would be for the best. But one of the things I have learned in tha past year and a balf is that there are more peacekeeping options than peacekeepers. Peacekeeping is a new growth industry," sha said.

Russian – and other CIS – forces have intervened to keep the peace in Nagorno-Karabakh, which is in dispute between Armenia and Azerbaijan, and in Georgia. But some local leaders have accused Russia of acting in its own national interests.

The instability in Russia's "near abroad" was highlighted yesterday as it emerged that 14 people had been killed and 46 wounded in a bomb blast in a marketplace in north-east Armenia.

THE LEX COLUMN

Developing Kodak

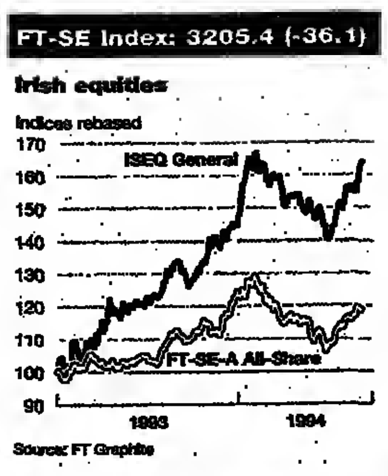
The new Kodak is coming into focus. Yesterday's $1bn disposal of its clinical diagnostics business is the group's third billion dollar-plus asset sale since June. Not only has Mr George Fisher, who took Kodak's helm last December, exceeded investor expectations by the speed with which he has shed its peripheral health care businesses; the prices achieved are also surprisingly good – no doubt helped by the current worldwide enthusiasm for acquisitions in the sector. So far, disposals have brought in $5.6bn. L&F, Kodak's household products arm, is expected to realise a further $2hn. The total proceeds will virtually wipe out Kodak's debt.

Mr Fisher now faces an even tougher challenge – expanding Kodak's core imaging business. That will determine whether it can shake off its reputation as a technological giant that lost its way. Mr Fisher, who in his time has worked at AT&T's Bell Laboratories as well as running Motorola, has sketched out an exciting vision of how Kodak can apply its photographic expertise in emerging multimedia markets.

Undoubtedly, image processing has a hright future, and Kodak has developed strong technological positions in fields such as image processing software and digital sensors. But the company has a poor track record in bringing such inventions to market. It also faces stiff competition, particularly from Japanese groups such as Fuji, Canon and Sony. The real test will be wbether Kodak can put together alliances that provide it with access to additional technologies and markets. But given Mr Fisher's proven ability to spring favourahla surprises, he deserves the benefit of the doubt.

FT-SE Index: 3205.4 (-36.1)

Irish equities



Source: FT Graphite

UK contracting

A note of despair tends to enter the voices of contracting industry bosses when they are asked when margins will improve. Mr Joe Dwyer of Wimpey put on a brave face yesterday but the best he could offer was that his contracting business would hold its own this year. Last year it made just £2.2m on turnover of £658.8m. The bind is that even if volumes pick up, there will still be too many companies bidding for the available work.

The recession has caused few casualties among leading companies, with several of the near-dead kept alive by their bankers. The barriers to entry are also low, thanks to the system of np-front payments which means contractors operate with negative capital employed. Although it requires enormous cultural change it is in the interests of the large contractors to encourage a trend away from high up-front payments, so squeezing out financially weaker rivals. Some customers, including the government, are making modest moves in this direction.

Strong balance sheets will be more important still if the boped-for growth in privately-funded infrastructure projects materialises. Raising the barriers to entry could then lead to consolidation in what is, by international standards, a fragmented industry. Some observers even dream of the day when UK utilities will follow the continental model and acquire large contractors. Given the utilities' dismal record in contracting, tha City would view this with alarm. Yet without some structural change the prospects for tha UK contracting industry are grim.

Ireland

Bulls of the Irisb equity market are proclaiming that the latest rise in share prices has little to do with the IRA ceasefire. The economic implications of peace – if it lasts – would be complex. A recovery in Northern Ireland asset values and increased tourism in the Republic are among the possible outcomes. While there has been no rush to upgrade earnings forecasts, though, the ceasefire has certainly been good for sentiment and helped focus the attention of international investors on favourable fundamentals.

While the Irish economy was stronger than most of its European peers through the recession, growth was driven hy multinationals using Ireland as a base for exports. Yesterday's results from CRH, the building materials company, show that domestic demand is now starting to take over. Against that background the market looks cheap on a multiple of around 12 times this year's forecast earnings – even allowing for the large proportion of lowly-rated financial stocks in the market's capitalisation.

The lingering doubt is that a market driven higher by international capital flows must also be vulnerable to a sudden change of sentiment. A further appreciation of the Irish punt – perhaps beyond parity with sterling – would raise fears about competitiveness. Still, if peace in Northern Ireland gives international investors one less reason to take fright, the market's latest gains should be sustainable.

Bowater

For once, Bowater's managers were able to present a set of results without shooting themselves in the foot. Last time they reported, their unjustified pessimism about prospects for margins overwhelmed a good set of figures, sending shares tumbling 8 per cent on the day. In fact, fears that the company would prove incapahle of passing on increases in raw material prices to customers proved, on the whole, unfounded. With hindsight, managers' undue gloom destroyed a premium rating.

Yesterday, the group lacked adequate ammunition to inflict such self-damage. The results, above expectations, contained scarcely a hlemish. Margins reached a record high, and the company achieved douhle digit growth in sales, operating profits and pre-tax results. An upbeat chairman's statement completed the rosy package.

Equally significant in yesterday's 4 per cent rise in the shares – against a falling market – was the management's indication that Bowater had reached a strategic turning point. The company, managers indicated, will no longer expand through acquisition. Growth will be achieved organically and through cost-cutting. There may be some bolt-on acquisitions, but these are likely to be small and not to require equity funding. Glvsn Bowater's privileged position in fast-growing niches and the absence of additional equity issues in the foreseeable future, the shares should prove attractive for those looking to switch out of cyclical companies and into growth stocks.

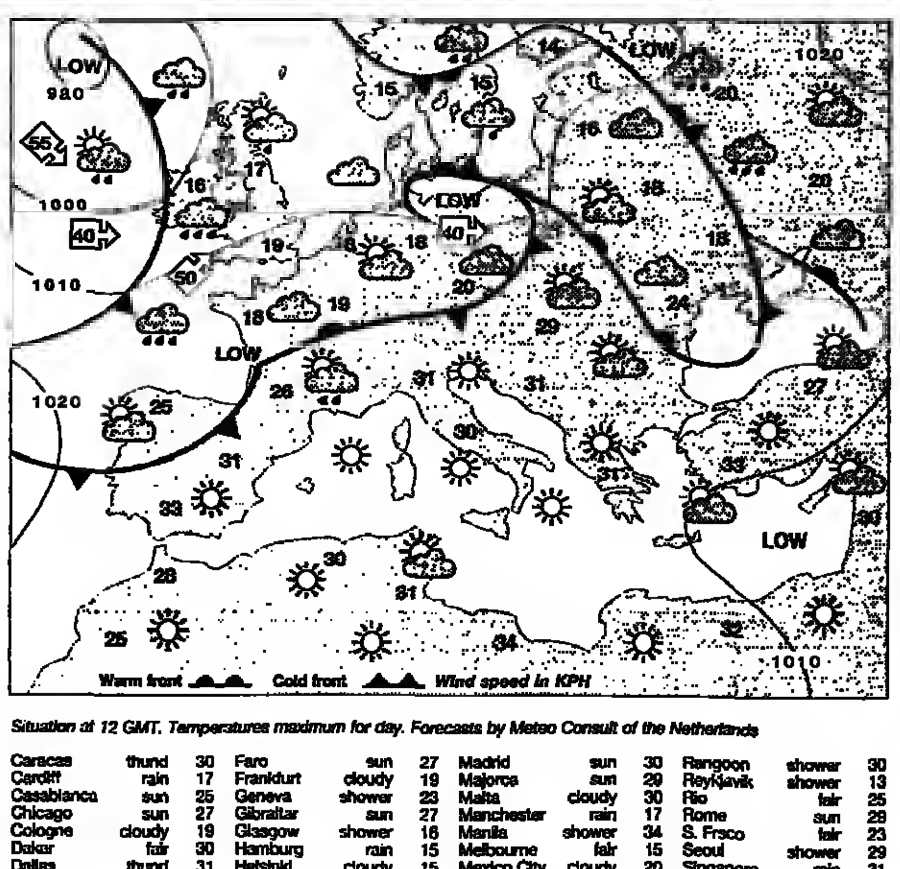
FT WEATHER GUIDE

Europe today

A strong low pressure area and its associated frontal zone north-west of the British Isles will bring persistent rain to western parts of the UK. Showers will linger in eastern parts of the UK and in the Benelux. Another frontal system, trailing from a smaller low over southern Scandinavia, will bring rain to northern Germany, southern Scandinavia, Poland and western Russia. Other parts of Russia as well as southern Germany and the northern Balkans will have cloud interspersed with sunny spells. Western France will be mainly cloudy with showers in southern sections. The Mediterranean will be sunny except for eastern sections. Temperatures will be around 30C but will reach 35C in southern areas.

Five-day forecast

Central Europe will become unsettled. France, and the Alps will have extensive rain with a risk of thunder storms. Heavy rain is also expected in southern Scandinavia towards the weekend, while central parts have strong easterly winds. Southern Europe will be sunny, but Italy will have thunder showers on Friday.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum		Beijing	fair	27	Caracas	thund	30	Faro	sun	27	Madrid	sun	30	Rangoon	shower	30
	Celsius		Belfast	rain	16	Cardiff	rain	17	Frankfurt	cloudy	19	Majorca	sun	29	Reykjavik	shower	13
Abu Dhabi	sun	38	Belgrade	fair	32	Casablanca	sun	25	Geneva	shower	23	Malta	cloudy	30	Rio	fair	25
Accra	cloudy	30	Berlin	shower	19	Chicago	sun	27	Gibraltar	sun	27	Manchester	rain	17	Rome	sun	28
Algiers	sun	30	Bermuda	shower	31	Cologne	cloudy	19	Glasgow	shower	16	Manila	shower	34	S. Frsco	fair	23
Amsterdam	cloudy	15	Bogota	shower	19	Dakar	fair	30	Hamburg	rain	15	Melbourne	fair	15	Seoul	shower	29
Athens	sun	32	Bombay	shower	28	Dallas	thund	31	Helsinki	cloudy	15	Mexico City	cloudy	20	Singapore	rain	31
Atlanta	fair	29	Brussels	shower	18	Delhi	fair	35	Hong Kong	thund	31	Miami	thund	33	Stockholm	rain	13
B. Aires	cloudy	15	Budapest	fair	29	Dubai	sun	40	Honolulu	fair	33	Milan	fair	27	Strasbourg	rain	21
B.ham	shower	18	C.hagen	rain	13	Dublin	rain	18	Istanbul	fair	28	Montreal	shower	18	Sydney	fair	20
Bangkok	shower	33	Cairo	sun	32	Dubrovnik	fair	30	Jakarta	fair	31	Moscow	shower	20	Tangier	sun	28
Barcelona	fair	27	Cape Town	fair	17	Edinburgh	shower	17	Jersey	shower	16	Munich	shower	24	Tel Aviv	sun	30
									Karachi	shower	33	Nairobi	cloudy	23	Tokyo	fair	29
									Kuwait	sun	43	Naples	sun	29	Toronto	shower	20
									L. Angeles	fair	25	Nassau	fair	32	Vancouver	shower	15
									Las Palmas	sun	28	New York	fair	26	Venice	fair	27
									Lima	fair	18	Nice	shower	26	Vienna	fair	24
									Lisbon	fair	27	Nicosia	fair	35	Warsaw	cloudy	20
									London	shower	19	Oslo	cloudy	15	Washington	fair	27
									Lux.bourg	cloudy	15	Paris	cloudy	18	Wellington	shower	8
									Lyon	rain	24	Perth	fair	18	Winnipeg	fair	20
									Madeira	sun	26	Prague	cloudy	21	Zurich	rain	21

FINANCIAL TIMES
COMPANIES & MARKETS
Wednesday September 7 1994

IN BRIEF

Axa pays FFr1bn to UAP for Victoire

Axa, one of France's largest insurers, is expanding its European interests by buying Victoire Belgium from Union des Assurances de Paris (UAP) for FFr1bn ($188m) Page 18

Bowater expects further recovery
Bowater, the UK packaging and printing group, yesterday reported a recovery in important markets. Pre-tax profits for the six months to June 30 rose 2 per cent to £105m ($163m). Page 18

Tiphook chairman's bank got £3.5m fee
Institutional shareholders are unhappy over a £3.5m ($5.4m) payment which Tiphook, the debt-laden UK transport leasing company, made to a merchant bank in which Tiphook's chairman, Mr Rupert Hambro, has an indirect shareholding. Page 18

JCI posts strong rise
Johannesburg Consolidated Investments, the South African mining house, lifted annual attributable earnings by 73 per cent. It was the last annual result before the conglomerate's planned demerger. Page 19

Valeo advances to 27%
Valeo, the French vehicle components group, yesterday announced a 27 per cent increase in first-half net consolidated profit to FFr487m ($91m). In the first six months of this year it outperformed the rest of the French car components sector. Page 19

Wallenbergs eye the future
The Wallenberg family is entering a new phase after overcoming most of the debilitating effects of a long recession. They are looking to strengthen their presence in growth industries and are eyeing investment opportunities overseas. Page 20

Hopewell lifted by CEPA sale
Hopewell Holdings, the Hong Kong property and construction group, announced a 20 per cent rise in net profits to HK$2.4bn (US$310m) for the year to June 30. Page 22

IMI surges with demand for betting chips
Strong demand for replacement copper plumbing systems in eastern Germany and a surge in orders for betting chips from new US casinos set up on Indian reservations helped IMI, the UK international engineering group, lift first-half profits by 4 per cent in the six months to June 30. Page 24

Manweb cuts workforce by 11%
Manweb is cutting 500 jobs, 11 per cent of its workforce, in a move expected to save up to £20m ($31m) a year by 1997. Page 26

£24m investment for Croda
Croda International, the UK chemicals and coatings group, yesterday announced plans to invest £24m ($37m) to exploit rising demand for its speciality chemicals. Page 26

Wimpey confirms building revival
Wimpey, Britain's biggest housebuilder, yesterday confirmed that the housebuilding revival was still on track as it announced a recovery in the first six months of this year. Page 25

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Falls			
Aachen Mch Reg	1210	-	25
Continental	241.5	-	4
Holzmann	878	-	14
Lahmeyer	675	-	22
Metallg'schaft	184	-	16
Veba	541	-	6
NEW YORK ($)			
Rises			
Hilton	66¼	+	7½
Medeva	9¾	+	1½
Samson Eng	11¼	+	2¼
Falls			
Applied Matls	46¼	-	1
Texas Insts	74⅛	-	1⅛
Warner Lambert	82¼	-	1⅛
PARIS (FFr)			
Rises			
UFB Locabail	385	+	9.9
Falls			
AXA	243.3	-	9.7
CGIP	1134	-	46
Credit Foncier	902	-	32
Fonc Lyonnaise	699	-	24
Saint Gobain	636	-	28
TOKYO (Yen)			
Rises			
Morclan Corp	756	+	16
Yamaha Motor	899	+	28
Falls			
Ebara Chemical	932	-	23
Miyaji Iron	828	-	21
Nippon Kayaku	780	-	16
Sumitomo Chem	557	-	16

New York prices at 12:30.

LONDON (Pence)			
Rises			
Bowater	492	+	19
Brit Biotech	455	+	22
Bumfield	77	+	4½
French Connectn	250	+	9
Gaskell	152	+	12
Glaxo Welw	420	+	24
Greene King	537	+	16
Iceland	165	+	20
Medeva	151	+	23
Oriel	121	+	7
RPS Group	70	+	4
S Wales Elect	817	+	21
Vega	258	+	15
Whitney Mackay	43	+	4
Falls			
Boddington	282	-	11
Cable & Wire	445	-	14
Cadbury Schw	467	-	13
Guinness	478	-	12
Heywood Wilms	348	-	14
IMI	325	-	11½
Lex Service	394	-	12
Morland	493	-	15
Scholl	164	-	20
Telspec	265	-	15

Kodak makes diagnostics disposal

By Tony Jackson in New York

Eastman Kodak, the US photographic products group, took a further step in its disposal programme yesterday selling its clinical diagnostics business to the US healthcare company Johnson & Johnson for $1bn.

With the sale of its drugs businesses to Sanofi of France and SmithKline Beecham of the UK, the deal brings Kodak's total disposals since June to more than $5.6bn.

The sale to Johnson & Johnson includes Kodak's chemistry-based and immunoassay diagnostics products, which had sales last year of $535m. Kodak's retention of its X-ray film-based diagnostic business, in which it claims world leadership, is in line with the strategy announced in May by new chairman, Mr George Fisher, of concentrating on its traditional strengths.

Johnson & Johnson, which two weeks ago announced the $924m acquisition of the Neutrogena skin and hair care company, said the deal would make it the world's third biggest diagnostics company after Abbott Laboratories of the US and Boehringer Mannheim of Germany.

Its existing sales of diagnostics are just over $700m. The Kodak business, which includes the diagnostics business of the UK company Amersham acquired in 1990, would continue to be run as a separate company, Johnson & Johnson said.

Mr Ralph Larsen, Johnson & Johnson's chairman, said "the acquisition will add important positions in clinical chemistry and immunodiagnostics to our existing diagnostics business and significantly broaden our customer base in the hospital central diagnostic laboratories". The company said the deal would leapfrog it into third position worldwide ahead of Bayer of Germany.

The sale nearly completes Kodak's ambitious disposal programme. The final business to be sold is L & F Products, consisting of household products, such as disinfectants and DIY products such as wood finishers. Kodak announced last month it would sell the two parts of L & F separately, having been unable to reach its target price – estimated at around $2bn – for the business as a whole.

The latest deal also brings Kodak close to its target of eliminating debt. Group borrowings at the mid-year stood at $6.4bn, compared with the $5.6bn of disposals announced or concluded since then. Kodak spent $150m last month buying out its equal partnership in Qualex, the photofinishing company.

Kodak shares were up $⅝ at $50⅝ at lunchtime yesterday, while Johnson & Johnson's were down $⅜ at $49½.

Lex, Page 16

LVMH enjoys the luxury of 35% profits advance

By Alice Rawsthorn in Paris

The buoyant state of the luxury goods market was highlighted yesterday by news that LVMH, one of the world's largest luxury businesses, increased net profits by 35 per cent during the first half of 1994.

LVMH, which will publish full interim figures later this month, confirmed that net profits had risen to FFr1.26bn ($236m) in six months, from FFr935m in the same period of 1993. Sales rose 20 per cent to FFr12bn.

The group affirmed that "if current trends continue" it was on course to achieve the target of 20 per cent net profits growth for the full year set by Mr Bernard Arnault, chairman. Analysts are expecting slightly higher figures.

LVMH, which has extensive interests across the luxury goods industry including Hennessy Cognac, Moët et Chandon champagne, Louis Vuitton luggage and Christian Dior cosmetics, has reported sluggish profits due to the depressed state of the fashion and cosmetics markets, the crisis in the champagne sector and the Japanese slowdown.

LVMH said that its first-half profits increase was due to a stronger performance from all its interests and lower financial expenses.

Earlier this year LVMH announced that it was unravelling its cross-shareholding agreement with Guinness, the UK drinks group, significantly reducing its borrowings and cutting financial costs. Christian Dior is expected to stage a capital increase to finance the Guinness transaction.

Mr Arnault has made it clear that he plans to use LVMH's newfound financial flexibility to increase its luxury interests. LVMH made its first acquisition by taking control of Guerlain, the fragrance house in which it held a minority stake.

However, Mr Arnault was foiled in his attempt to buy Van Cleef & Arpels, the Paris-based jewellers, by stiff competition from Chanel, the French fashion house, and Van Cleef was eventually taken off the market.

Arnault: on course for target

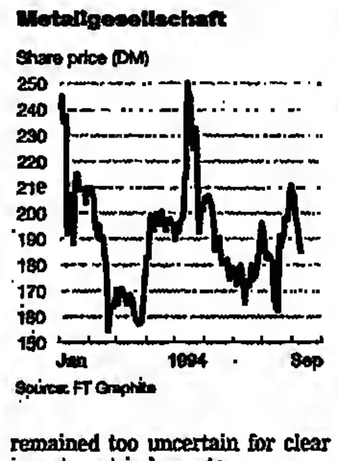
Mr Arnault is now searching for other investment opportunities. "From a financial perspective LVMH should be able to make a major acquisition," said Ms Joseline Gaudino, an analyst at the Société Générale securities house in Paris. "The only problem could be a shortage of suitable targets."

Metallgesellschaft shares fall 8% on capital fears

By Andrew Fisher in Frankfurt

Shares in Metallgesellschaft, the ailing German metals, engineering and chemicals group, fell sharply yesterday as investors reacted with confusion to reports of possible moves to strengthen its share capital.

There was also concern about the likely extent of further restructuring, especially on the non-ferrous metals smelting side. Shares in the company, which came close to collapse last year after huge losses on US oil futures trading, closed DM16 lower in Frankfurt at DM184.



Metallgesellschaft said on Monday night, after a supervisory board meeting, that last week's deal releasing it from controversial oil refinery contracts with Castle Energy of the US meant it would need to set aside more than the earlier planned DM1bn ($641m) to cover losses. Yesterday, the company said it was talking with shareholders and creditor banks about improving its capital structure, but gave no details. It made clear, however, that the process would take time, with any decision to be put to the annual meeting next March.

The market was unsettled by discussion of a possible reduction in the company's share capital – totalling 14.4m shares with a nominal value of DM720m (worth DM2.65bn at yesterday's share price) – followed by a rights issue. "This would have a huge negative psychological impact," said Ms Lynn Reinhardt, a Frankfurt analyst for Barclays de Zoete Wedd, the UK investment house.

Metallgesellschaft also said on Monday that operating profits could exceed DM100m this year. But analysts said the outlook remained too uncertain for clear investment judgments.

"There is at least one further step to go on the smelter side," said Mr Michael Geiger, an analyst at NatWest Securities in London. "It's not yet the end of the total restructuring and potential disappointments."

The company's statement also referred to an agreement in principle for the sale of its headquarters in central Frankfurt. It is believed that Deutsche Bank and Dresdner Bank, the two main creditor banks, are negotiating to acquire the property – unofficially estimated as being worth some DM750m – to use or sell for development.

This solution would speed up the sale, expected to be concluded this calendar year, and enable the proceeds to be booked retrospectively to Metallgesellschaft's accounts for the financial year ending in September 1994.

Also awaiting conclusion is the sale or placement of the 47 per cent of Kolbenschmidt, the motor components manufacturer.

NYSE members incur loss in quarter

By Patrick Harverson in New York

The New York Stock Exchange said yesterday its member firms which do business with the public lost $40m after tax in the second quarter, a sharp decline from the $1.5bn profit in the same quarter of 1993 and the $852m profit recorded in the first three months of this year.

The results were achieved on total revenues of $18.4bn, down from $17.9bn a year ago. For the first six months, NYSE member firms earned an after-tax profit of $148m, compared with $3bn earned in the first half of 1993.

The data, which covers the big Wall Street firms' domestic activities, is the latest illustration of how rising US interest rates have disrupted financial markets and undermined earnings in the US securities industry.

The losses among NYSE members were not entirely widespread. Of the 302 firms which reported to the exchange, 200 together made a profit of $888m. Those gains, however, were overshadowed by the losses of 102 firms, which totalled $1.5bn.

The NYSE does not provide a breakdown of its members' results, but they include revenue from sources, such as proprietary trading, interest and commissions.

Based upon the individual results of the biggest publicly-quoted securities houses, the worst-hit area has been trading, where falling bond prices and volatile currency markets have left many big firms nursing sizeable losses in recent months.

Although Wall Street has also suffered from a sharp downturn in underwriting activity, as rising interest rates and falling share prices have deterred many US and foreign companies from raising funds on the capital markets, results from this area do not show up in the NYSE figures.

In spite of the problems at the big stockbroking firms, the NYSE's "specialists", the firms which exclusively buy and sell shares for brokers and their clients on the exchange's trading floor, were still profitable during the second quarter, earning $29m after tax.

Traditionally, specialists can make money in a declining market because their marketmaking commissions remain buoyant, and because they still earn a profit on price "spreads" – the difference between the buying and selling price of shares.

Judy Dempsey reports on German piano makers

Quality is the key to a more upbeat tempo

In the heart of east Berlin the sounds of students practising their scales in the Hans Eisler music school are relished by Mr Karl Schulze, manager of Bechstein, one of Germany's oldest piano manufacturers based in nearby Moritzplatz.

"The number of students now learning the piano at the music schools in Germany has increased from 100,000 in 1991 to over 140,000. People are rediscovering the piano again. This is good news for Bechstein," he said.

A year ago Bechstein was holding talks with liquidators. Its losses had exceeded DM1.5m ($960,000) and the banks were unwilling to extend fresh credit. There were even fears that Zimmermann, the east German piano maker which Bechstein had purchased, would to the wall as well. "I wanted to save Bechstein, revive its reputation and make the marriage with Zimmermann work. So I decided one of the ways to raise cash and get out of debt was to sell 6,500 sq m of our land here near Checkpoint Charlie to the Berlin Senate for DM30m," said Mr Schulze. Now Mr Schulze says his order books are full until the middle of 1995 and if all goes well, combined turnover this year will total DM28m with an expected profit of about DM1.5m.

Bechstein's turnround from virtual collapse has been keenly watched by Germany's other long-established piano makers. All of them – Blüthner in Leipzig, Schimmel in Braunschweig and Steinway in Hamburg – were hit by the downturn, yet most agree that they are emerging from the recession much quicker than they had expected. This is despite a fall in total piano sales worldwide from a peak of 1.1m in the mid-1980s to about 600,000 in the early 1990s as well as competition from Japan and cheaper models, particularly from China and eastern Europe.

"We went through a bad patch during the recession," said Mr Wilhelm Nikolaus Schimmel, whose family company was founded in 1885 and today has a 11 per cent share of the German market. "In the mid-1980s, we had an annual turnover of DM65m, two-thirds earned from exports. But sales fell to about DM47m in the early 1990s, and we were making heavy losses. We had to restructure.

"Three years ago, we employed about 520 people. Today, we have 260 people on our books. But we made one major decision. We were not going to compromise our quality. I think this has paid off."

Germany's piano manufacturers unanimously agree that their industry would not have recovered had it gone downmarket. "Japan is our major competitor," said Mr Schimmel. "But we had to respond by continuing to provide high quality and design. This has what has underpinned Germany's piano tradition. If you change that you undermine your own reputation."

German piano market

Number of pianos		1992	1991
Production	Upright	20,054	22,532
	Grand	3,410	4,732
	Total	23,464	27,264
Exports	Upright	11,133	16,629
	Grand	2,253	3,129
	Total	13,386	19,258
Domestic sales	Upright	8,921	5,903
	Grand	1,157	1,603
	Total	10,078	7,506
Imports	Upright	15,950	17,023
	Grand	2,182	1,785
	Total	18,132	18,808
Total domestic sales	Upright	24,871	22,926
	Grand	3,339	3,388
	Total	28,210	26,314

Source: Statistisches Bundesamt

Mr Ingbert Blüthner-Haessler, manager of Blüthner, who was catapulted into the market economy after being subsidised by the east German state for more than four decades, said the recession made the industry more aware of marketing. "We had to hit home the message that we are producing quality," he said. This year, Blüthner, which exports 50 per cent of its 400 uprights and grands, expects to lift its turnover 10 per cent to DM5m which will allow it to enter the black.

Despite the revival in piano-playing, not everyone can afford a Blüthner upright, which costs between DM18,000 and DM23,000, or a Steinway, whose grand pianos start at DM61,900. Mr Roger Willson, managing director of the UK-based Whelpdale, Maxwell and Codd, the piano manufacturers and the sole importer of Blüthner, said: "The recession had the effect of changing the habits of our customers. Parents either bought a cheap Chinese piano – if you call £1,200 cheap – or opted for the second-hand market for quality pianos in which demand has increased sharply." Mr Willson now believes that worldwide sales will increase by about 4 per cent this year.

Steinway, which occupies the top end of the market, is surprised at the pace of recovery. "The recession forced us to cut back. And music schools had their budgets reduced – so they were not buying pianos. But we did not expect to come out of the recession so fast," said Ms Barbara Ascherfeld, Steinway's spokeswoman.

About half of Steinway's production turnover of 1,200 units (1,000 grands and 200 uprights) is earmarked for music conservatories and the rest for individuals. About 30 per cent of its grand pianos are exported to Japan. Steinway recently made a special contract with its trade union so that its employees can work longer hours to meet demand.

Mr Schimmel and his colleagues believe the German piano industry and the west European market is finally stabilising. "But," warned Mr Schimmel, "the lesson we learned from the recession is that you cannot make short-cuts with quality."

Axa pays UAP FFr1bn for Victoire Belgium

By Alice Rawsthorn in Paris

Axa, one of France's largest insurers, is expanding its European interests by buying Victoire Belgium from Union des Assurances de Paris (UAP) for FFr1bn ($188m).

UAP acquired Victoire Belgium last year as part of a complex deal which gave it control of the international activities of Victoire, the Paris-based insurer then owned by the Suez group.

The bulk of Victoire's domestic business has since been sold by Suez to Commercial Union, the UK concern, as part of the ongoing restructuring of the European insurance industry.

Axa, which trails UAP as the second force in French insurance, has been steadily expanding its international interests. It already has a presence in the Belgian market through its Axa Belgium and Mutuelle Patronale subsidiaries, which had combined turnover of FFr2.35bn in 1993.

The acquisition of Victoire Belgium, which commanded an estimated 1.3 per cent of the Belgian insurance sector with 1993 turnover of FFr920m, should raise Axa's share of the Belgian market to around 5 per cent.

It will still lag UAP which, even after this latest disposal, remains the numbar two insurer in Belgium, through its Royale Belge subsidiary. That business had turnover of FFr9.3bn last year.

Vic-Life, the Luxembourg subsidiary of Victoire Belgium, has been exempted from yesterday's transaction.

Instead of going to Axa, it will becoma part of the Royale Belge group, raising UAP's profile in Luxembourg by lifting its annual sales to around FFr190m.

Axa and UAP are still intent on pursuing further international acquisitions. Axa yesterday announced it was poised to clinch a deal to buy the The Wing On Life Assurance Company in Hong Kong.

UAP has expressed interest in Asia, but is also seeking a non-life insurer in the UK.

Two banks bid for Poland's Interbank

By Christopher Bobinski in Warsaw

Deutsche Bank and ABN Amro of the Netherlands have made separate bids to purchase Interbank, an ailing private Polish bank, in response to the country's central bank policy of attracting strategic foreign investors to strengthen private and state sector banks.

The two banks are insisting on a 100 per cent takeover of Interbank, which is currently managed by the central bank following a 80bn zloty ($3m) rescue package involving a bond purchase.

Dentsche Bank and ABN Amro are among 10 foreign banks, including Chase Manhattan, which have applied to open wholly owned snbsidiaries in Poland.

However, the central bank has stopped issning new licences to local or foreign banks in order to encourage banking rationalisation through takeovers.

Dentsche Bank has had a representative office in Warsaw since the autumn of 1989, while ABN Ambro is a shareholder in the IBP Bank, a joint venture with Crédit Lyonnais, the Banca Commerciale Italiana, the International Finance Corporation and two local banks.

The central bank has made an exception for Dresdner Bank and Banqne Nationale de Paris, whose joint application to open a subsidiary in Poland has been accepted and is awaiting finance ministry approval.

Dresdner played an important role in Poland's debt rednction talks with the London club of commercial bank creditors, as head of the its steering committee, and the approval is seen as recognising the German bank's contribution to the deal. Due to be signed next week, it will rednce Poland's $14bn commercial debt by almost 50 per cent.

Poland last issued a foreign banking licence three years ago. Nine banks, inclnding Citibank Creditanstalt, operate in the country as wholly earned subsidiaries.

Tiphook head in fresh row

By Andrew Bolger in London

Institutional shareholders are unhappy about a £3.5m ($5.39m) payment which Tiphook, the debt-laden UK transport leasing company, made to a merchant bank boutique in which Tiphook's chairman, Mr Rupert Hambro, has an indirect shareholding.

Mr Hambro, a non-executive director of Tiphook since 1990, took over as interim non-executive chairman in March. He will step down this mooth, although he will continue as non-executive director.

His family company has a minority stake in J.O. Hambro Magan, which received its fee for advising on the recent £722m disposal of Tiphook's containers division, which saved the group from collapse.

A leading institutional fund manager said that, as a matter of policy, he did not like to see non-executives involved in a financial advisory role.

Tiphook said Mr Hambro had no executive role in Hambro Magan, which had fully earned its fee by introducing the group to the eventual buyer of the container division, Transamerica, the US financial services group. The entire transaction had been supervised by the group's non-executive directors, merchants bankers and lawyers.

Mr Alton Irby, deputy chairman of Hambro Magan, said: "We identified Transamerica, brought the deal to the table and negotiated one hell of a price. At least for now, we've saved the company. In one way, one wooders if we got eoough."

Mr Hambro, who was paid £62,000 by Tiphook last year, has already been at the centre of controversy in his role as chairman of Tiphook's remuneration committee. There was an outcry last month when the group's annual report revealed that directors saw their total remuneration increase from £3.96m to £6.41m in the year to April, a period in which Tiphook reported a pre-tax loss of £331m.

Mr Robert Montague, chief executive, was the highest-paid of the directors, with a bonus of £250,000 which helped push his pay from £1.17m to £1.34m. Mr Montague, who recently stepped down as chairman, agreed to a substantial cut in pay, from an £816,000 package to £200,000 as of March, but will receive a total minimum bonus of £250,000 over the next five years.

German railway sells bank stake

DG-Bank is to buy a majority stake in Deutsche Verkehrs-Bank from Deutsche Bahn, the German railway, Renter reports from Frankfurt.

Deutsche Bahn said it had reached a basic agreement on the transaction with DG-Bank but their supervisory boards and the Federal Cartels Office had yet to approve the deal.

The railway declined to reveal the purchase price. It owns 65.1 per cent of Deutsche Verkehrs-Bank, and is selling 50.1 per cent to DG Bank and 5 per cent to Sparda, the German savings and loans group.

Deutsche Bahn will retain a 10 per cent stake in Deutsche Verkehrs-Bank, the railway said. The Sparda group already owns 10 per cent of Deutsche Verkehrs-Bank. The remaining shares are widely distributed.

"The sale is part of the railway's policy of concentrating on its core business," a Deutsche Bahn official said.

Deutsche Verkehrs-Bank mainly operates foreign exchange booths at railway stations.

Bowater ahead 15% at six months

By Neil Buckley in London

Bowater said yesterday that a recovery in its packaging and printing businesses, with higher raw materials prices largely being passed on to customers, had helped it achieve a 15 per cent rise in pre-tax profits before exceptional items.

Headline profits at the UK group for the six months to June 30 increased to £105m ($162.75m) from £103m - at the top end of expectations. But after exceptional gains of £8m last year, and a loss on disposals of £4m this year, the underlying increase was to £109m from £95m.

Mr David Lyon, chief executive, said an upturn in demand in the US, UK and some continental European markets had led to price rises for Bowater's main raw materials - paper, and resin for plastics - of about 20 per cent between April and June.

"We have generally been able to pass these increases on to customers, although there are some timing delays," Mr Lyon said.

He added that raw material prices were expected to increase by up to another 10 per cent by December, with shortages of some commodities forecast, although prices remained about 25 per cent below their peak in the late 1980s. This was likely to lead to a further improvemant over last year's results in the second half.

The positive outlook - which contrasted strongly with Bowater's downbeat assessment of future trends after strong results a year ago - lifted Bowater's shares 19p to 492p. Mr Lyon said Bowater's acquisition of healthcare packaging manufacturers DRG and Cope Allman in 1992, and of Specialty Coatings International last year, had given it


David Lyon: increase in raw material costs passed on

critical mass in several target markets with strong growth opportunities, and Bowater was now concentrating on organic growth and developing synergies between businesses.

Group turnover increased 14 per cent to £1.16bn, with the group operating margin up from 8.8 per cent to a record 9.2 per cent.

After a difficult second half last year, the packaging and print businesses staged a recovery with sales up 3 per cent to £580.7m, and operating profits of £49.8m almost matching last year's £50.9m.

The acquisition of SCI greatly increased the contribution from Bowater's coated products division, with sales up from £194.2m to £280.3m, and operating profits from £22.5m to £32.7m.

Both sales and profits also increased in Bowater's building and engineering businesses, and its tissue business in Australia.

Earnings per share, including exceptional items, rose from 12.3p to 14.2p, and the interim dividend is up 9 per cent from 5.3p to 5.8p.

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Ahold posts solid profits rise

By Ronald van de Krol in Amsterdam

Ahold, the Dutch-based food retailing group, posted a strong 23.5 per cent rise in second-quarter net profit, encouraging it to raise its forecast for full-year earnings.

The company, which now expects 1994 results to be "considerably" higher than in 1993, said net profit rose to Fl 94.2m ($53.8m) from Fl 76.2m a year earlier. Turnover was up 8.3 per cent at Fl 6.87bn.

The quarterly increase takes net profit for the first half to Fl 204.5m, up 18.6 per cent and at the top end of analysts' forecasts. The company's shares rose by 2.3 per cent to close up Fl 1.10 at Fl 48.40.

Ahold attributed the sharp rise to higher operating results and a lower tax burden. "We consider the course of events in the first half, and particularly the second quarter, as highly satisfactory and as indicative of the developments for the entire year," Mr Cees van der Hoeven, company president, said.

Previously, Ahold, which generates about half of its turnover through six supermarket chains in the US, had forecast only that profits would continue to rise in 1994.

Ahold's dnal-currency interim dividend was raised to Fl 0.19 and $0.09 per share, from Fl 0.17 and $0.06 last year.

In the US, operating profit rose 15.9 per cent to $45.1m in the second quarter, outstripping the 9.9 per cent increase in Dutch operating results, to Fl 68.2m.

Total operating prufit increased by 15.2 per cent to Fl 171.6m. This includes a 37.5 per cent increase in European results, to Fl 20.7m, mainly reflecting buoyant profits in Portugal.

Mr van der Hoeven said Ahold's activities in the Czech Repnblic were gradually approaching break-even. This point should be reached by the end of 1994, he said.

Italy tightens policing of banking rules

By Andrew Hill in Milan

The Italian Treasury has imposed fines on directors of various Italian banks to remind them of their obligations under the country's banking legislation.

The fines are small - the largest is only L19m ($11,461) - but they indicate the Treasury's determination to enforce the rules on Italy's sprawling banking sector.

Directors of the Banca Popolare di Novara, which operates one of Italy's largest branch networks, have each been fined L12m for minor omissions and errors relating to its credit position and accounting situation. The infringements were detected between March and October last year.

Fines were also imposed on Cofilp, a financial subsidiary of the Novara bank; Credito Lombardo; Credito Commerciale; and Cassa di Risparmio di Rieti.

It is the second time that Mr Lamberto Dini, the Treasury minister and a former number two at the Bank of Italy, has imposed fines on bank directors since he took over as minister in May.

Dutch dredger in share placement

By Ronald van de Krol

Boskalis Westminster, the Dutch dredging group, placed around 18 per cent of its outstanding share capital with Dutch and international institutional investors yesterday, in a transaction worth nearly Fl 190m ($109m).

Boskalis Trust, a company trust which owns about half of the group's shares, sold slightly more than 4.56m shares to ABN Amro, the Dutch bank, which sold them on to investors at Fl 40.80 each.

The shares carry full rights to the 1994 dividend.

The company, which describes itself as the world's largest dredger, said the sale was designed to widen ownership of the shares. The sala also brings to an end the workforce's indirect stake in the company's share capital, Boskalis said.

Trading in Boskalis shares on the Amsterdam Stock Exchange was suspended briefly before the transaction was announced.

When trading resumed, the shares fell to close at Fl 41.20 compared with a pre-suspension price of Fl 41.90, but this remained well above the private placemant price.

INTERNATIONAL COMPANIES AND FINANCE

JCI posts strong rise ahead of planned demerger

By Mark Suzman in Johannesburg

Johannesburg Consolidated Investments, the South African mining house, boosted attributable earnings by 73 per cent to R748m ($165m) in the year to June, from R433.2m a year ago.

It was the last annual result before the conglomerate's planned unbundling into three separate companies early next year.

Group turnover rose to R2.92bn, up from R2.63bn a year ago, and the dividend was raised to 200 cents, up from only 132 cents last year.

Although the results were helped by R84.5m from the sale of Argus Nawspapers to Mr Tony O'Reilly's Independent Newspapers, equity-accounted earnings before extraordinary items advanced 57 per cent to R912.9m from R582.4m.

The company has also decided to reverse its decision to write off R130m of its investment in the HJ Joel Gold Mine after a sharp improvement in the mine's prospects during the past year and its successful raising of R284m in fresh capital.

Following last year's tax credit of R20.8m, tax paid rose to R62.3m on the year.

Earnings from platinum holdings, which include the world's largest platinum mine, Rustenburg Platinum, rose to R114.5m from R85.4m, while gold benefited from an improved price to more than double earnings to R93.8m from R34.6m.

The group, which last week lost out in the bid to buy Randcoal, reported that coal earnings rose substantially to R23m from R1.8m. Diamonds also had a good year, with earnings rising to R104.2m from R79.2m.

Mr Pat Retief, chairman, said he expected all sectors of the company to continue to perform well after unbundling.

Under the plan announced by JCI's leading shareholder, Anglo-American, the platinum interests would be retained by Anglo-American while its diamond interests would be bought by De Beers.

The rest of JCI would be divided into a mining company, comprising primarily JCI's gold interests, and an industrial holding company, both of which are due to be offered to black investors.

Although the transaction requires changes to legislation before it can be approved by shareholders, Mr Retief said he hoped final unbundling would take place early next year and be completed by April 1995.

Généerale de Banque up 8% halfway

By Lionel Barber in Brussels

Générale de Banque, Belgium's biggest bank, yesterday announced net profits 8.6 per cent higher at BFr6.3bn ($197m) for the first half of 1994.

The rise compared with BFr5.8bn in the first six months of last year. However, the 1993 half-year results included an exceptional gain of about BFr2bn, following the sale of shares in ABN Amro, the big Dutch bank.

As a result, Générale de Banque said that the improvement in 1994 was significant.

Gross profit was BFr21.25 bn, a decline of 7.7 per cent. Analysts interpreted the fall to the failure to repeat the strong capital gains achieved on government bonds in 1993, as well as the exceptional capital gain on the ABN Amro shares.

However, write-downs and provisions were down by 31 per cent to BFr8.7bn. Total assets were up 8.8 per cent to BFr3.939bn.

'Natural' keyboard from Microsoft

By Louise Kehoe in San Francisco

Microsoft, the world's largest publisher of personal computer software, has launched an ergonomically designed "natural" PC keyboard to help users avoid the dangers of repetitive stress injuries.

Microsoft makes no claims that the keyboard will cure or prevent any form of RSI. Labels, affixed to the cable linking the keyboard to a PC and to the bottom of the keyboard, warn users that "Continuous use of a keyboard may cause Repetitive Stress Injuries or related injuries". Similar warning labels were recently introduced by Compaq, the world's largest PC manufacturer. The labels are seen as a move by the companies to avoid liability for future injury claims.

Already, over 2,000 injury lawsuits have been filed against computer manufacturers in the US.

The new Microsoft keyboard, which will be available worldwide next month at a price of around $100, is designed to allow users to maintain a more relaxed, natural position while typing. It can be plugged into any PC that runs Windows 3.1 or more recent versions of the Microsoft software.

The keyboard is designed to encourage users to maintain a straighter wrist position – avoiding one of the most common causes of discomfort and injuries.

Microsoft will also provide an "ergonomics guide".

"In the last 10 years, computers have dramatically changed the workplace and the ways in which people perform their jobs," said Rick Thompson, manager of the hardware business unit at Microsoft.

"Yet in that time, the design of the computer keyboard has remained virtually unchanged."

McCain family's public feud intensifies

By Robert Gibbens in Montreal

The McCain family is again fighting in public over the future of its Canadian-based frozen foods group, McCain Foods.

Earlier this year a New Brunswick judge tried in vain to mediate in the feud between Mr Harrison McCain, 66, and his brother Mr Wallace McCain, 64, co-chief executives and architects of the company's 35-year growth.

The shareholders, comprising 30 family members, were to vote on September 13 on a board resolution ousting Mr Wallace McCain. At issue is which branch of the family will eventually assume company leadership.

Last week Mr Wallace McCain's sons Michael and Scott, both company directors, went to court to have the resolution overturned. They argued it violated company by-laws and any such change would require a two-thirds boardroom majority. They claimed the Wallace McCain family had been "excluded from full and meaningful participation in McCain Foods affairs".

Mr Harrison McCain replied swiftly. In a public statement he said the succession issue and whether to take the company public and appoint an outsider as chief executive – as suggested by the judge last summer – should be decided only by the shareholders.

"There is no magic and if shareholders representing a majority of the company's stock want a new chief executive, they will have one," he said. "In the McCain family, the shareholders must rule and the will of the majority must be respected."

Mr Andrew McCain, chairman, said the board would fight the lawsuit launched by Mr Wallace McCain's sons but would go ahead with the September 13 directors' meeting.

Multimedia link with publisher

Microsoft, the leading supplier of personal computer software, has formed a partnership with The Reader's Digest Association to develop and publish multimedia software for home computer users, writes Louise Kehoe.

They will both market a CD-Rom (compact disc read-only memory) based on editorial content from Reader's Digest's best-selling books.

Microsoft will have worldwide retail rights to the product. Reader's Digest will sell the CD-Rom through direct mail.

The deal reflects the growth of home computer sales and surging sales of CD-Rom software. In the first quarter of 1994, global CD-Rom sales totalled $136m, up 366 per cent from the first quarter of 1993, according to the Software Publishers Association.

The Microsoft-Reader's Digest title, due for release in the second half of 1995, will be based on Reader's Digest reference books.

Overseas growth helps Valeo to advance 27%

By David Buchan in Paris

Valeo, the French vehicle components group, yesterday announced a 27 per cent increase in first-half net consolidated profit to FFr487m ($91m) on turnover which rose by 10.5 per cent to FFr11.7bn.

The results confirm Valeo as one of France's more successful companies.

In the first six months of this year it was able to outperform the rest of the French car components sector by growing faster in the rest of the world.

Turnover advanced 7 per cent in Europe, roughly in line with the general increase in car sales, but by 10 per cent in South America, 24 per cent in North America and 30 per cent in Asia.

As a result, Valeo made 59.1 per cent of its sales outside France in the first half of this year, compared with 56.5 per cent in the same period of 1993.

The company said it had increased gross margins, operating income and net profit, in spite of a rise in its tax rate, increased spending on R&D and capital equipment, and unchanged restructuring charges.

It also increased its foreign investments by nearly 10 times, to FFr930m in the first half by acquiring Borg Instruments in Germany and taking majority stakes in new subsidiaries and joint ventures in Argentina and China.

With stronger cash flow and a capital increase, Valeo's debt to equity ratio stood at 5 per cent by the end of June, compared with 14 per cent last December and 23 per cent a year earlier.

INTERNATIONAL COMPANIES AND FINANCE

Roving Wallenbergs stay true to home

Overseas expansion will not jeopardise family's commitment to Sweden

The sweeping industrial domain built up over 140 years by Sweden's Wallenberg family is entering a new phase after overcoming most of the debilitating effects of a long recession.

With profits again flowing fast in most of the companies under the family's control, the Wallenbergs are looking to strengthen their presence in growth industries and are eyeing investment opportunities overseas.

Individual companies, such as Astra, Ericsson, Electrolux and the forestry group Stora, have the income to support long-term development strategies, both in new technologies and new markets.

"Now the defence is over. We think the ship is in very good order and it is time to be a bit more offensive again," says Mr Claes Dahlbäck, chief executive of Investor, the holding company that forms the core of the Wallenberg sphere. He says Investor "has the radar on" for new investments, especially overseas.

The trend is set to move the empire away from its traditional dependence on low-growth cyclical industries towards technology-based industries, such as pharmaceuticals, medical technology, telecommunications and, perhaps, the media.

Senior family members, however, will not be drawn on speculation about individual companies – for example, whether they might sell out of SKF, the ball-bearings maker, or float some of Investor's 100 per cent holding in Saab-Scania, the vehicle and aircraft maker. The emphasis, however, will be on evolution, rather than dramatic changes of direction.

They also stress that any move to build np holdings overseas will be limited – not more than 10 per cent of Investor's total portfolio – and will not jeopardise the family's commitment to Sweden.

That commitment and the management capabilities of the Wallenbergs are now more than ever important for Sweden, given the unprecedented dominance the empire exerts over the country's industry. In annual turnover terms, Wallenberg companies account for more than SKr500bn ($65bn), more than the combined total of the next three largest owners, the state, Volvo and Svenska Handelsbanken.

But the issue of how effectively the Wallenbergs have wielded their power and whether such a hegemony is healthy for Sweden's industrial economy, is seldom debated in public in Sweden.

There are, however, serious concerns that the Wallenberg record, though impressive, has not always been flawless and that in the long term it is perilous for the country to be so dependent on one family.

The LO, the federation of blue-collar trade unions, has voiced its concern. "We need strong industrial leaders and we need stable ownership in Sweden, but we have too few groups and too little competition," says Mr Per Olof Edin, chief economist at the LO. "It would be good if more foreign owners came to Sweden and established themselves as strong leaders of industrial companies."

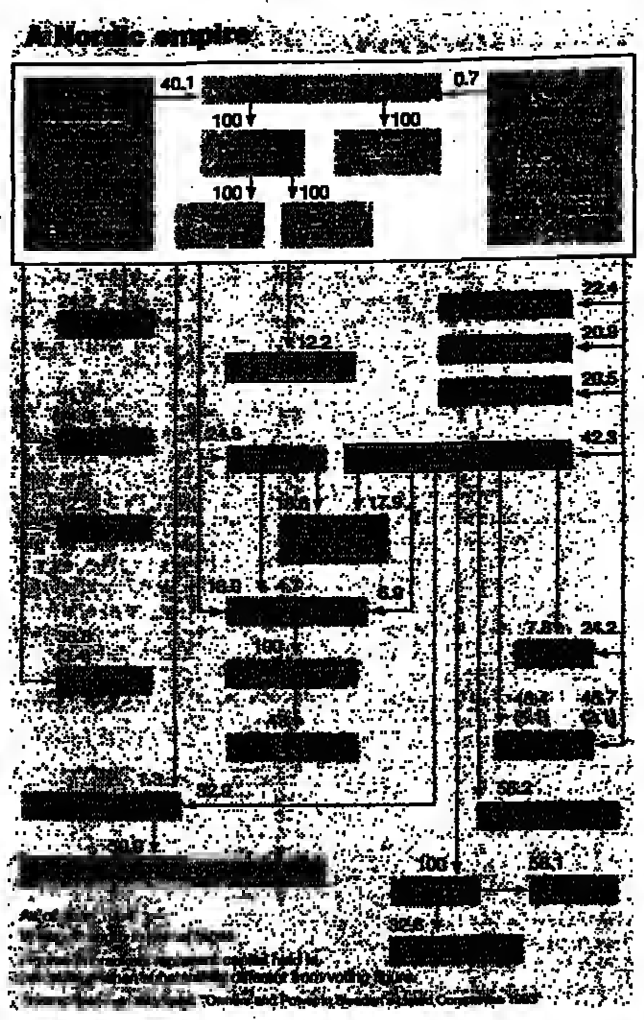
There is also the criticism that the results of Wallenberg companies – like those of all Swedish exporters – have been exaggerated by devaluations in 1982 and 1992. "The situation is like a runner who sets a world record for the 100 metres," wrote Mr Per Afrell, business editor of the newspaper Dagens Nyheter. "The problem is he had a downhill slope, the wind behind him and he ran only 80 metres."

Critics also say the Wallenberg investment performance has been unspectacular and would have been worse than the overall market without the phenomenal performance of Astra, the high-flying pharmaceuticals group.

There are examples of questionable judgment within the empire. In the pulp and paper industry, the Wallenbergs made expensive acquisitions just when the cycle was turning down – most notably that of the German group Feldmuhle by Stora in 1990 for DM4bn ($2.6bn). They also took full control of Saab-Scania in 1991, just as it was heading into a trough.

More recently, Incentive, a Wallenberg industrial group, agreed in June to sell its stake in Esab, the welding equipment supplier, to Charter, a UK company, at SKr345 a share. Institutional shareholders maintained the price was too low and forced Charter to raise its bid to SKr380.

"The Wallenberg dominance is very dangerous because nothing develops without competition," says a senior Swedish businessman. "When things get too intertwined it's like a group of children playing – nobody sticks their neck out except one or two leaders. That will not lead to creative solutions which Sweden badly needs at the moment."



In spite of such reservations, the majority view in Swedish business is that the Wallenberg record of successes over four generations, which is unmatched by any other family dynasty, comfortably outweighs the failures.

SKF, which invented ball-bearings in the 1920s, and Electrolux, which first produced a vacuum cleaner in 1912, were launched during the heyday of industrial innovation. These companies have continued to evolve and hold their own as market leaders. Electrolux has grown to become the biggest supplier of household appliances in the world.

In the forestry sector, the Wallenbergs have transformed Stora, through acquisitions and divestments, from a diversified group into Europe's biggest pulp and paper company.

In the cases of Astra, the pharmaceuticals group, and Ericsson, the telecommunications company, the empire has produced successes based on modern technology.

Profits growth at Astra has outstripped turnover growth for each of the past 16 years. Ericsson ran into trouble in the 1980s as it got bogged down in the computer business, but it sold out of computers, refocused on telecommunications and has become a world leader in mobile telephony.

The Wallenbergs also steered Asea into the merger with Switzerland's Brown Boveri in 1988, creating the engineering giant ABB. Half controlled by the Wallenbergs, ABB was recently voted Europe's most respected company in a Financial Times poll.

There is a strong belief in Sweden that without the Wallenbergs' commitment to the country and their willingness to invest for the long term, Sweden would not have produced such an array of international companies.

Wallenberg companies have invested heavily overseas in recent years, in some cases retaining as little as 10 per cent of their production in Sweden. But, unlike family concerns, such as the Ikea retail organisation of the Kamprad family and Tetra Pak, the packaging group owned by the Rausing family, their headquarters and ownership remains in the country.

Some fear that without the Wallenbergs much of Swedish industry would migrate.

Hence, there is widespread anxiety in Sweden over moves within the European Union – at present dormant – to rule against the kind of weighted share structures that allow companies to be tightly controlled by minority shareholders. Such a ruling would force the Wallenbergs to restructure their empire dramatically.

"Wa simply don't have the capital to be able to control our own companies, so we would face an exodus of ownership," says Mr Magnus Lemmel, chief executive of the Federation of Swedish Industries.

As long as that threat remains buried in the pile of shelved initiatives in Brussels, tha principal task remaining for Mr Peter Wallenberg, the keeper of the fourth generation of Wallenberg entrepreneurship, is to manage the smooth transition of the inheritance to Jacob and Marcus Wallenberg, his son and nephew.

And ha does not consider that inheritance to be any kind of burden on the nation. "As long as we perform at least as well or better than other equivalent industries; as long as we behave as genuine Swedes in Sweden, meaning that we live here, we pay this country's taxes and we fulfil all our duties more than just the minimum, then we will do nothing that will be against the best interests of the country."

Hugh Carnegy and Christopher Brown-Humes

This is the last in the series on the Wallenbergs. The previous articles appeared on September 1 and 2.

Institutions agree to share information on governance

By Alison Smith

A more structured approach to exchanging information internationally on attitudes towards corporate governance issues has come a step closer, after an agreement by organisations representing institutional investors.

Associations for institutional investors in a range of countries, including the US, Canada, Australia, Germany and the UK, have decided to exchange information on a more routine basis about questions such as directors' remuneration and the duties of non-executive board members.

The associations, which include the Council for Institutional Investors, an umbrella organisation for US pension funds, will pass each other copies of papers setting out their broad attitudes towards governance issues, so that each is more aware of the practice in other countries and can make that information available to its members.

Some organisations would like to see that develop within the next year or two into a network for exchanging more specific information.

This would not be intended to lead to the establishment of common positions or to making recommendations on how investors should vote on issues.

Instead, the aim would be to ensure that, when questions arise for shareholders to decide, institutional investors are in a better position to know how the approach of a particular company compares with local practice.

It is already clear, however, that not all the associations which have agreed to the first stage would want to be involved in dealing with company-specific information.

In the UK, the National Association of Pension Funds and the Association of British Insurers, whose members manage more than £550bn ($852bn) of investment funds, have been increasingly adopting a high profile on corporate governance.

Last month, for example, the ABI wrote to a number of the UK's largest companies expressing concern over large payments to former directors.

The question of handling corporate governance questions in an international context will be raised next week at a conference on European investment issues organised by the NAPF.

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Hopewell earnings boosted by CEPA sale

By Louise Lucas

Hopewell Holdings, the Hong Kong property and construction group controlled by Mr Gordon Wn, yesterday announced a 20 per cent rise in net profits to HK$2.4bn (US$310m) for the year to June 30, up from HK$2bn in the previous year.

The company booked exceptional items of HK$1.8bn, including HK$1.2bn from the spin-off last November of Consolidated Electric Power Asia (CEPA), a vehicle incorporating Hopewell's power stations.

The net result was HK$1.6bn less than Mr Wu's forecast of a doubling of profits, made at the time of the spin-off, hnt was in line with market expectations.

Analysts say they do not expect to see quality recurrent earnings come on stream until 1996, when CEPA and the Gnangzhou-Shenzhen superhighway will start making more significant cootributions.

Earnings per share climbed 10 cents to 57 cents, and the directors are proposing a dividend of 19 cents, an improvement of 1 cent on last year.

Profit at the operating level rose to HK$795.5m from HK$733.2m, reflecting the bigger role played by exceptional items in the previous year. Then, property sales and other exceptionals totalled HK$2.1bn.

Hopewell benefited from a sharply lower tax bill this year, at HK$105.6m compared with HK$287.2m. This reflects the increase in its share of earnings from overseas, which are not liable to Hong Kong tax.

CEPA's projects are mainly in China (where foreigners can enjoy tax-free periods of around six years), the Philippines, and south-east Asia.

Dednctions for minority interests also fell, to HK$172m from an abnormally large HK$683m.

The previous year's figure was swollen by the sale of a property owned by a company in which Hopewell had a 60 per cent interest.

Optimism fades on HK-listed China groups

By Louise Lucas in Hong Kong

When companies turn in profit rises of between 33 per cent and 278 per cent, it seems churlish to find fault. But the surge in net earnings at the interim stage reported by the 10 China enterprises listed in Hong Kong has dampened the optimism that had led to a rally in the share prices before the announcements.

Excluding Qingling Motors, the light-truck assembler which floated last month and has not reported, only two of China's H shares performed markedly better than market expectations – Yizheng Chemical and Shanghai Petrochemical, whose net profits respectively rose 278 per cent to Yn460.6m ($53.84m) and 35 per cent to Yn772.8m in the first six months of the year.

The two chemicals companies produce commodities which are in short supply (and therefore strong demand) and have big client bases, unlike the machinery companies. They revealed strong balance sheets and an easing of triangular debt, which has heen choking profits at the state enterprises since the resurgence of the mainland's austerity drive last year.

As credit lines tightened, so companies found their customers' ability to pay for goods deteriorated. This in turn hurt the first company, which found itself unable to pay off its creditors – hence, triangular debt.

Yizheng, China's biggest producer of polyesters, saw its performance enhanced by the global shortage of cotton after poor harvests.

According to the company, it had orders for 567,000 tonnes of polyester in the first half – approaching double its production capacity, which stands at 304,480 tonnes.

But there is a big question mark over the sustainability of both companies' performances, which have heen helped by state subsidies which guarantee both the supply and price of important raw materials. The companies benefit from rising costs on the sales side, while being protected on the supply side.

Mr Lawrence Ang, associate director with SBCI Finance Asia, says it is becoming increasingly likely that the state will review its subsidy policy, especially in the case of state-owned companies which are now in effect in the hands of foreigners and therefore cannot justify financial protection. Removal of the subsidies would slash profit margins.

"When these subsidies will be removed is the big uncertainty. Yizheng never says wheo it might be lifted, hut when Shanghai Petrochemical listed last year the directors said the state would guarantee the supply of crude oil, bnt only in terms of volume, not price," Mr Ang says.

Economic data emerging from China since July suggest the country is in no position to relax the credit tightening measures. Inflation continues to rise, standing at 23 per cent (34 per cent in the cities), while fixed-asset investment surged 73 per cent over the year to July. An unofficial meeting of China's leaders last month agreed to continue the austerity programme throughout the second half.

While the programme has hit the performance of most of the companies, only Tsingtao Brewery – the pioneering H share – was hit by the unification of China's exchange rates last January.

A winning card in the company's listing prospectus was its strong foreign exchange earnings.

However, this has swung in the opposite direction as foreign exchange receipts dried up in the wake of the unification, while imported raw materials still have to be paid for in hard currency.

Tsingtao previously received payment for some 30 per cent of sales in foreign exchange, due mainly to domestic sales at foreigners' ontlets such as hotels.

The company was able to stipulate payment in US dollars or Foreign Exchange Certificates, the now-defunct currency designated for foreigners. As it is no longer allowed to do this, it has moved to having a net foreign exchange expenditure of around $3m.

The brewery group is now looking to expand its export markets in a hid to soften the blow, but in the meantime its new vulnerability to foreign exchange fluctuations – unseen so far, hut a devaluation is forecast for late this year or during 1995 – stands to hamper earnings.

China's Hong Kong listed companies (Yn m)

	1994 interim	1994 year forecast	1995 forecast
Beiren Printing	56	121	170
Dongfang Electric	28	95	111
Guangzhou Shipyard	142	168	121
Kunming Machine Tool	16	38	56
Luoyang Glass	127	242	280
Maanshan Iron & Steel	591	1,427	1,841
Shanghai Petrochemical	773	1,336	1,491
Tianjin Bohai	72	142	163
Tsingtao Brewery	102	283	405
Yizheng Chemical	461	932	1,036

Source: W.I.Carr (Far East)

Machinery and steel companies dominated the most disappointing results, with Maanshan Iron and Steel – the biggest H share company by market capitalisation – leading the pack.

Maanshan suffered from the decline in steel prices in China – a reaction to Russian dumping – and earnings slid 30 per cent to Yn590.6m from the revised 1993 interim figure of Yn835.4m.

Mr Brian Leung, an analyst with W. I. Carr (Far East), reckons that while steel prices are likely to remain weak in the second half, rising production capacity and growing or flat demand for products should help profits.

However, the triangular debt problem will remain a hig issue – the company is now estimated to have accounts receivable of Yn2bn, compared with Yn1.2bn six months ago.

The debt problem will also continue to rear its head at Beiren Printing Machinery, where profits jumped 33 per cent to Yn55.5m from Yn41m, and Kunming Machinery, up 156 per cent to Yn15.89m from Yn6.2m.

In a bid to stave off debts Kunming cut sales, and saw turnover slump 55 per cent to Yn18.67m from Yn42.19m. Mr Leung estimates that just one-third of the group's profits were generated by core husinesses, the rest coming from a Yn5.7m tax write-back and interest income from the proceeds of its dual share offering in Chinn and Hong Kong.

Kunming spent a mere one-quarter of the Yn390m raised and creamed interest off the remainder, investing just a fraction of the figure quoted in its listing prospectus on new machinery and tools.

The outlook for all the H-share companies in the second half is not promising, although some analysts are recommending the cbemical companies and, for relative value, Dongfang Electric, whose conservative accounting policy means that 70 per cent of whole-year profits are booked in the second half.

Profits at Australian insurer fall to A$6m

By Nikki Tait in Sydney

C. E. Heath international, the Australian liability insurer which was spun off from its UK parent in 1992, yesterday posted an operating profit after tax and abnormals of A$6m (US$4.4m) in the six months to end-June. This compares with a profit of A$18.7m in the same period of 1993.

Heath's problems stemmed from the worsening investment environment – in particular, rising fixed-interest markets which created unrealised investment losses of A$32.7m, when the portfolio was "marked to market value".

This caused Heath to move to an operating loss before tax and abnormals of almost A$15m, compared with a A$28.7m profit last time. The loss was then partly offset by a A$24.5m abnormal surplus, resulting from the sale of Californian operations.

Heath added that its underwriting profit, net of expenses, rose from little better than break-even in the first half of 1993, to A$9.7m.

INTERNATIONAL CAPITAL MARKETS

Bund yields reach their highest for two years

By Antonia Sharpe and Martin Brice in London and Frank McGurty in New York

Yields on 10-year German government bonds rose to their highest level since September 1992 on fears that the rapid recovery in the German economy would prevent the Bundesbank from cutting interest rates further.

The yield on 10-year bunds rose by 10 basis points to 7½ per cent. Most of the activity was in the futures market, where the December bund future fell 0.63 to 89.09.

The rise in yields coincided with the Bundesbank's sale of Treuhand 10-year bonds, which is estimated to raise a total of DM5bn. Yesterday, DM3bn was alloted to the federal bond consortium at 100.95 to yield 7.36 per cent. Analysts said the Bundesbank would have to offer a yield of 7½ per cent to ensure a smooth auction today.

Worries about the federal alections next month also weighed on the market. Mr Holger Schmieding, senior economist at Merrill Lynch in Frankfurt, said investors who had been anticipating a clear win for Chancellor Helmnt Kohl's centre-right coalition are becoming nervous following his poor showing in recent opinion polls. They are now hoping this weekend's state elections in the east German states of Saxony and Brandenburg will produce a clear majority for his CDU party.

The market is expecting confirmation of the speed of Germany's economic turnround tomorrow when west German GDP data for the second quarter is due.

■ Gilts fell more than a point yesterday, pulled down by the decline in the German market. Volume in the cash market was thin, however, as investors stood on the sidelines ahead of today's meeting between Mr Kenneth Clarke, the chancellor, and Mr Eddie George, governor of the Bank of England.

GOVERNMENT BONDS

Analysts were divided on whether the meeting would produce a rise in interest rates. Mr Andrew Roberts, at UBS, said: "The market would be surprised if there were a rate hike – there is very little inflationary pressure just now."

Mr Michael Pratten at Kidder Peabody said any rise in rates would probably be after the Conservative party conference in October. "We feel the chancellor will hold off," he said.

However, Mr Michael Saunders of Salomon Brothers said there might be an early rise: "The case is there for a rise in rates in September or November. The disadvantaga of waiting for November is that it looks political," he said.

On Liffe, the December long gilt future reached 99½ in late trading, a fall of 1¼ on the day. There was little change in the yield spread between gilts and German bunds, which was at 141 basis points in late trading.

■ Spanish government bonds were dragged down by the fall in bunds and news of the resignation of the fifth Ministry of Finance official in two months. Ten-year bond yields rose 22 basis points to 11.39 per cent.

■ US Treasury bonds showed further weakness yesterday morning as the dollar receded and traders followed through on Friday's negative response to August employment data.

By midday, the benchmark 30-year government bond was $\frac{1}{32}$ lower at 99¾, with the yield rising to 7.536 per cent. At the short end, the two-year note was down $\frac{1}{16}$ at 100$\frac{1}{32}$, to yield 6.164 per cent.

With no fresh economic news to offer guidance, traders took direction from the foraign exchange markets, where the US currency was slipping against the yen and D-Mark.

With the weaker dollar raising concerns over the value of US-denominated securities, bonds across the board were showing solid losses by mid-morning.

Traders also remained perplexed by the surprising effect of last week's economic data on bond prices.

News of weaker than expected growth in the jobs market had failed to impress the market, which instead focused on the worrying signs of inflation buried in the Labor Department report.

Fears of inflation continued to dominate yesterday, in spite of reassuring comments by Federal Reserve vice-chairman Mr Alan Blinder. He told the Market News Service that the central bank may have succeeded in putting the economy on a "glide path" of moderate, non-inflationary growth.

Still, traders generally appeared unconvinced, with many preferring to put off any big commitments until the release of producer price data at the end of the week.

Czechoslovak bank raises five-year syndicated loan

By Anthony Robinson

Ceskoslovenska Obchodnl Banka (CSOB), the re-capitalised and restructured former Czechoslovak foreign trade bank, is raising $50m through a five-year syndicated term loan managed by Sumitomo Bank at a margin of 70 basis points over Libor and with front-end fees of 30 to 35 basis points.

The bank, which has been re-organised as a general bank, raised billions of dollars for the former Czechoslovak Socialist Republic in its former role as the monopoly socialist foreign trade bank.

The latest borrowing is the bank's first foreign borrowing on its own account, without a state guarantee, but is expected to benefit from syndication among a natwork of relationship banks.

CSOB is one of the few joint Czechoslovak institutions to survive the January 1992 disintegration of Czechoslovakia into the Czech and Slovak republics.

Slovakia participated in a series of capital refinancing operations last year and Slovak banks and other institutions retain a 25.6 per cent stake. Czech banks and institutions own 72.75 per cent with the balance held by employees. The bank is scheduled for privatisation.

The bank reported a gross profit of Kcs7.8bn last year but made an operating loss of Kcs10.9bn after taking a charge for non-performing loans of Kcs18.7bn.

After clearing its books of bad debt the bank received a Kcs4.05bn capital injection, which restored its capital adequacy ratio to 6.49 per cent at the end of 1993.

Standard & Poor's recently upgraded the Czech Republic's credit rating, reflecting the growing attraction for foreign investors of the country's low foreign debt and single-digit inflation.

Pearson taps the eurosterling sector for £125m over 10 years

By Graham Bowley

Pearson, the media and entertainment group which owns tha Financial Times, launched a £125m 10-year eurosterling offering in an active day of issuance in spite of the fall in European government bond markets.

Demand for the bonds, which were priced to yield 75 basis points above the 6¾ per cent UK government bond due 2004, came almost exclusively from UK-based institutional investors, lead manager NatWest Capital Markets said. The proceeds were swapped into floating-rate dollars.

The Republic of Argentina launched a C$100m three-year bond priced to yield 229 basis points over the interpolated yield on two and five-year Canadian government bonds.

Lead manager Paribas said the bonds attracted retail and institutional investors in Canada and continental Europe.

Despite the weakness of the currency on tha foreign exchanges, several eurodollar offerings were launched.

INTERNATIONAL BONDS

The City of Yokohama issued its much-anticipated deal, raising $250m through an offering of 10-year bonds priced to yield 35 basis points over 10-year US Treasuries.

Lead manager Bank of Tokyo Capital Markets said the launch was successful, with strong interest from European retail and institutional investors as well as from eome Asian investors.

However, syndicata managers had some doubts whether the bonds would remain in Europe.

"Most will be snapped up by Japanese investors," said one syndicate manager. "European investora do not trust the liquidity of the issue."

Crédit Local de France tapped the shorter end of the curve with a $200m offering of four-year bonds targeted at retail investors in Europe and Hong Kong.

The bonds were priced to yield 10 basis points above the interpolated yield on three and five-year US Treasuries.

"This offers a wider spread than previous four-year dollar issues, which have been trading through Treasuries," said lead manager IBJ International.

Baden-Württemberg L-Finance launched a DM500m issue of four-year D-Mark eurobonds priced to yield 5 basis points over the BOBL 108.

In a similar deal, SudwestLB Capital Markets also tapped the D-Mark sector with a DM300m offering of four-year bonds priced to yield 15 basis points above the 5¾ per cent German government bond due 1998.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
City of Yokohama	250	7.625	99.414R	Sep.2004	0.325R	+35(7¼%-04)	Bank of Tokyo Capl.Markets
Cemex	250	(a)✦	(a)R	Sep.2001	0.75R	+230-240§	Bankers Trust International
Crédit Local de France	200	6.75	99.67R	Oct.1998	0.225R	+10§	IBJ International
Unibanco/ Unibanco Leasing	70	10.50✦	100.00	Sep.1997	undisd.	+403(6¼%-97)	Swiss Bank Corp.
YEN							
New Sth.Wales Treasury Corp.	40bn	3.50	99.99R	Sep.1997	0.30R	-	Nomura International
DSL Bank	10bn	4.36	100.00R	Sep.1999	0.25R	-	Salomon/Mitsubishi Finance
STERLING							
Pearson Sterling Two	125	9.50	99.329R	Oct.2004	0.40R	+75(6¾%-04)	NatWest Capital Markets
First 4(b,c)‡	66	(b1)	99.65R	Sep.2010	0.25R	-	Baring Brothers
D-MARKS							
Baden-Württemberg L-Finance	500	6.75	99.795R	Sep.1998	0.225R	+5(5¾%-98)	Salomon Brothers
SudwestLB Capital Markets(c)	300	6.875	99.966R	Oct.1998	0.225R	+15(5¾%-98)	Morgan Stanley Frankfurt
BMW Finance	250	7.25	100.25R	Oct.1999	0.30R	+30(6¾%-99)	Dresdner Bank
CANADIAN DOLLARS							
Republic of Argentina	100	10.50	99.97R	Oct.1997	0.50R	+229§	Paribas Capital Markets
ITALIAN LIRE							
SNCF	150bn	11.50	101.635	Oct.1999	1.875	-	JP Morgan Securities
SWISS FRANCS							
LW Rentenbank✦	100	5.125	101.30	Oct.1998	1.125	-	Banque Paribas (Suisse)
LUXEMBOURG FRANCS							
Commerzbank(c)	2.5bn	6.875	102.66	Dec.2001	1.625	-	Crédit Européen

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ✦Unlisted. ‡Floating rate note. R: fixed re-offer price; fees are shown at the re-offer level. a) Priced today. b) Average life: 4.62 yrs. Callable on coupon dates from Sep.99 at par. Junior tranche: 29m, 3-mth Libor +30bp to Sep.99 & +60bp thereafter. b1) 3-mth Libor +30bp. c) Long 1st coupon. § Over interpolated yield.

Maghreb fund launched

By Francis Ghilès

The Framlington Group has launched a $30.5m Maghreb Fund, the first listed North African investment fund available to institutional investors in the US, Europe and tha Middle East.

One third of investment will be made in Tunisia, the balance in Morocco. The investment targets include second-tier companies which are already listed on the Tunis and Casablanca stock exchanges and companies which are not quoted at present but are expected to be soon.

The Framlington Investment Fund, which is listed in Dublin, will provide institutional investors with an opportunity to participate in markets which have, until recently, been largely inaccessible to foreign investors.

The International Finance Corporation has taken a 20 per cent stake in the fund and the Abu Dhabi Investment Fund 10 per cent. Most other investors ara London-based global emerging market funds.

The fund is advised by Framlingham Maghreb, in which Banque Commerciale du Maroc and Framlington have a stake.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.000	09/04	96.8700	+0.190	9.49	9.35	9.38
Belgium		7.250	04/04	90.9000	-0.750	8.67	8.35	8.09
Canada *		6.500	06/04	84.7000	-0.700	8.88	8.88	9.00
Denmark		7.000	12/04	85.7700	-1.100	8.19	8.76	8.32
France	BTAN	8.000	05/98	101.7500	-0.500	7.40	7.24	6.81
	OAT	5.500	04/04	83.3200	-0.530	8.05	7.86	7.50
Germany Bund		6.750	05/04	94.8800	-0.660	7.51	7.19	6.99
Italy		8.500	04/04	79.6000	-1.340	12.16†	11.55	10.73
Japan	No 119	4.800	06/99	103.0700	+0.080	4.04	4.14	4.00
		4.100	12/03	96.4960	+0.310	4.64	4.77	4.69
Netherlands		5.750	01/04	88.5400	-0.620	7.49	7.25	7.03
Spain		8.000	05/04	80.6100	-1.130	11.41	10.93	10.47
UK Gilts		6.000	08/99	90-04	-14/32	8.49	8.34	8.20
		8.750	11/04	98-22	-30/32	8.74	8.50	8.47
		9.000	10/08	102-03	-59/32	8.74	8.52	8.53
US Treasury *		7.250	08/04	100-02	-7/32	7.24	7.21	7.31
		7.500	11/24	99-15	-16/32	7.54	7.48	7.57
ECU (French Govt)		6.000	04/04	83.4000	-0.600	8.88	8.35	7.96

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime / Treasury Bills and Bond Yields

		One month	4.85	Two year	6.18
Prime rate	7¾	Two month	4.89	Three year	6.48
Broker loan rate	6½	Three month	4.88	Five year	6.35
Fed.funds	4$\frac{21}{32}$	Six month	5.04	10-year	7.24
Fed.funds at intervention	·	One year	5.56	30-year	7.52

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	112.84	112.06	-0.79	112.86	112.02	163,078	82,212
Dec	111.70	111.12	-0.70	111.70	111.06	28,733	69,738
Mar	111.06	110.48	-0.72	111.06	110.66	305	4,085

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Oct	Calls Dec	Calls Mar	Puts Oct	Puts Dec	Puts Mar
113	0.40	1.18	-	-	2.93	-
114	0.10	0.80	-	-	3.60	-
115	0.08	0.53	-	-	-	-
116	0.04	0.30	-	-	5.00	-
117	-	0.18	-	-	-	-

Est. vol. total, Calls 29,393 Puts 21,196. Previous day's open int., Calls 186,346 Puts 259,846.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	90.60	90.15	-0.55	90.61	90.06	59623	49065
Dec	89.61	89.05	-0.67	89.61	88.96	136065	101870

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Oct	Calls Nov	Calls Dec	Calls Mar	Puts Oct	Puts Nov	Puts Dec	Puts Mar
8900	0.68	1.10	1.35	1.57	0.63	1.05	1.30	2.07
8950	0.44	0.84	1.09	1.34	0.89	1.29	1.54	2.34
9000	0.26	0.63	0.88	1.12	1.21	1.58	1.81	2.62

Est. vol. total, Calls 22398 Puts 9626. Previous day's open int., Calls 149372 Puts 150485

■ NOTIONAL MEDIUM TERM GERMAN GOVT. BOND (BOBL)(LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	96.40	96.26	-0.47	96.40	96.33	24	76

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	96.80	96.22	-0.88	96.80	96.16	6997	7806
Dec	97.35	95.89	-1.61	97.35	95.84	42483	57692

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Dec	Calls Mar	Puts Dec	Puts Mar
9550	2.84	1.82	2.45	2.39
9600	2.54	1.60	2.65	2.61
9650	2.29	1.40	2.90	2.91

Est. vol. total, Calls 1531 Puts 1268. Previous day's open int., Calls 6786 Puts 6945

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	86.85	85.92	-1.12	86.85	85.80	51,581	93,452
Dec	85.85	84.79	-1.09	85.85	84.70	5,406	27,241

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	101-11	100-17	-1-04	101-12	100-10	6061	31538
Dec	100-26	99-28	-1-04	100-29	99-25	58901	61798

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Dec	Calls Mar	Puts Dec	Puts Mar
99	2-42	3-14	1-50	2-62
100	2-06	2-48	2-14	3-32
101	1-37	2-21	2-45	4-05

Est. vol. total, Calls 3470 Puts 4097. Previous day's open int., Calls 14125 Puts 16358

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	81.20	80.40	-0.64	81.20	80.40	740	5,228
Dec	80.28	79.90	-0.64	80.28	79.88	429	3,767

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	103-06	102-28	-0-08	103-07	102-24	38,872	169,389
Dec	102-10	102-00	-0-09	102-12	101-28	489,749	262,045
Mar	101-09	101-09	-0-11	101-10	101-06	621	7,793

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Dec	107.46	-	-	107.57	107.45	1974	0

* LIFFE contracts traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price indices UK Gilts	Tue Sep 6	Day's change %	Mon Sep 5	Accrued interest	xd adj. ytd
1 Up to 5 years (24)	119.78	-0.17	119.98	1.51	8.01
2 5-15 years (21)	138.13	-0.71	139.53	1.77	8.22
3 Over 15 years (9)	153.26	-1.00	154.80	1.06	9.81
4 Irredeemables (6)	176.51	-0.33	177.19	2.46	8.63
5 All stocks (60)	135.72	-0.68	136.69	1.58	8.67

	Low coupon yield Sep 6	Sep 5	Yr. ago	Medium coupon yield Sep 6	Sep 5	Yr. ago	High coupon yield Sep 6	Sep 5	Yr. ago
5 yrs	8.56	8.47	6.34	8.67	8.57	6.46	8.79	8.69	6.65
15 yrs	8.63	8.52	7.02	8.75	8.63	7.15	9.01	8.88	7.40
20 yrs	8.57	8.47	7.18	8.75	8.63	7.25	8.86	8.74	7.42
Irred.†	8.59	8.56	7.38						

Index-linked	Tue Sep 6	Day's change %	Mon Sep 5	Accrued interest	xd adj. ytd
6 Up to 5 years (2)	185.61	-0.03	185.67	0.75	3.95
7 Over 5 years (11)	173.92	-0.30	174.44	0.83	3.48
8 All stocks (13)	174.26	-0.27	174.73	0.81	3.49

	Inflation 5% Sep 6	Sep 5	Yr. ago	Inflation 10% Sep 6	Sep 5	Yr. ago
Up to 5 yrs	3.77	3.74	2.62	2.70	2.67	1.75
Over 5 yrs	3.79	3.76	3.22	3.60	3.58	3.05

Debentures and Loans	Tue Sep 6	Day's change %	Mon Sep 5	Accrued interest	xd adj. ytd
9 Debs & Loans (76)	126.94	-0.60	127.71	2.33	7.81

	5 year yield Sep 6	Sep 5	Yr. ago	15 year yield Sep 6	Sep 5	Yr. ago	25 year yield Sep 6	Sep 5	Yr. ago
9 Debs & Loans	9.77	9.67	7.61	9.70	9.61	8.04	9.63	9.56	8.20

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Sep 6	Sep 5	Sep 2	Sep 1	Aug 31	Yr ago	High*	Low*
Govt. Secs. (UK)	91.08	91.59	91.71	92.10	91.96	102.47	107.04	90.99
Fixed Interest	108.25	109.02	110.03	109.90	109.89	124.51	133.87	107.33

* for 1994. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Sep 5	Sep 2	Sep 1	Aug 31	Aug 30
Gilt Edged bargains	91.4	121.7	84.1	84.3	82.1
5-day average	92.7	89.8	80.6	76.6	77.3

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on September 6

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month above mean rate) for US dollars. C.cpn=The current coupon. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or –	1994 High	1994 Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

● "Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds.

COMPANY NEWS: UK

Sales volumes up 8% and order books at strongest level for 4 years

IMI shows 4% rise to £37m

By Paul Taylor

Strong demand for replacement copper plumbing systems in eastern Germany and a surge in orders for betting chips from new casinos set up on indian reservations following the discovery of a quirk in US gaming laws both belped IMI, the Birmingham-based internetionel engineerlng group, lift first half profits.

Pre-tax profits grew by 4 per cent to £37m in the six months to June 30, np from £35.5m a year earlier, but were held back by an £8.3m trading loss on the Redwood international computer software company, which was finally sold in July. Turnover grew by 5 per cent to £574m (£546m) including £6m (£17m) from discontinued operations.

Operating profits from continuing operations increased by 20 per cent from £40.6m to £48.7m reflecting an improved performance by the group'e four core businesses as the benefits of internal cost reduction and the broadly based improvement in trading conditions came through.

The interim dividend, which has been held steady for the past four years, is being increased from 4.2p to 4.4p reflecting the board's growing confidence in the ontlook. Earnings per ehare rose to 7.3p (6.9p).

Mr Gary Allen, chief executive, said order books were at their strongest level for four years, and sales volumes had risen by an average 8 per cent across the group. However, he added that prices had not shown any real improvement.

Mr Allen said demand for copper plumbing materials in eastern Germany following reunification was the main factor behind an 8 per cent growth in sales to £165m and 26 per cent increase in operating profits to £14.1m in the building products division.

Copper was considered e strategic material by the former communist regime in East Germany, and the plumbing systems installed in most buildings were made of inferior steel. He said IMI had sent six copper plumbing eystem display trucks into eastern Germany "as soon as the Berlin Wall came down", and orders had come flooding in.

Although several businesses in the special engineering division continued to make small losses to the first half, the division as a whole lifted sales by 4 per cent to £125m and profits by 6 per cent to £8.6m.

Among the operations contribnting to the improvement were IMI'e two casino tokens businesses in the US, where demand for chips has soared recently following the discovery of a loophole in Federal law which has enabled Indian reservations across the nation to set up gaming establishments.

● COMMENT

With almost 70 per cent of its eales overseas and leading market positions in many of lts businesses, IMI should benefit as the world-wide recovery gathers pace. However, IMI'e well-deserved quality rating is already reflected to its share price. Headline pre-tax profits this year will be depressed by a £35m exceptional charge related to the sale of the computer software operations. Excluding this, profits of about £85m look possible, producing earnings of about 16.7p. Hold.

Promotions help Iceland to £32m

By Peggy Hollinger

Iceland'e shares jumped 14 per cent to 165p yesterday as the frozen and chilled food retailer announced e 10 per cent increase in the interim dividend and a 7 per cent rise in pre-tax profits to £32.1m.

Helped by strong promotional activity and new stores, sales advanced 12 per cent to £621.5m for the 26 weeks to July 2. The payout was increased from 1.2p to 1.32p. Earnings per share rose 6 per cent to 7.67p.

Mr Malcom Walker, chairman and chief executive, said the "Great Iceland Giveeway" – in which the group offered free food with certain purchases – had helped to return like-for-like sales growth in a fiercely competitive sector.

At one stage during the first six months, weekly like-for-like sales had been down 4 per cent, Mr Walker said. At the same time, customers were spending some 3 per cent less per visit, about £6.70p per basket.

While the spend had not improved, promotional activity helped Iceland finish the first half with an overall 0.5 per cent increase in like-for-like sales volumes. Food sales were running approximately 1.5 per cent ahead of last year. The promotions had an adverse effect on operating margins which slipped from 5.9 per cent to 5.6 per cent.

The bulk of the growth in turnover came from new stores, which saw a 14.2 per cent increase in food sales. The group has opened 35 new stores, with a further 20 planned to bring the total to 705.

Mr Walker said that although customers continued to search for value, the price pressures which have afflicted the food retailing sector for the last two years were expected to ease in the second half. Although competition would remain intense,

Mr Walker was confident that Iceland's role as e second-stop shop would protect it from the worst of the competition. "The supermarkets might be reaching saturation, but we have identified 1,500 sites we can trade from," he said. "Saturation is not a word in our vocabulary."

● COMMENT

This was a decidedly more subdued Malcolm Walker than has been seen in the past. For all his insistence that the bloodletting between superstores does not affect Iceland, the group has introduced attention-grabbing promotions and commissioned market research to look into declines in volume. Yet the company has nevertheless delivered the goods. That may be why the shares, which have languished in recent months, moved ahead so strongly. Forecasts of £70m pre-tax this year make the shares look pretty cheap on a prospective p/e of about 11. While there may be e bttle upside left on the back of these results, longer-term questions over the durability of promotion-led sales gains and the company'e discount retailing strategy are likely to overhang the stock.

Davis Service Group 29% ahead to £10.9m

By Christopher Price

Pre-tax profits at Davis Service Group increased by 29 per cent from £8.47m to £10.9m for the first six months of the year as the business services company reported a moderate upturn in trading.

The beadline figure was boosted by profits of £783,000 arising from e property disposal. Without this, the rise in underlying profits was 19 per cent, similar to the increase in turnover, which improved to £151m (£128m).

Earnings per share of 7.51p compared with 6.51p last time, although edjusted for the property disposal, earnings were 6.74p, a rise of 3.5 per cent.

A good proportion of the increase came from a full interim contribution from HSS Hire Services, whicb Davis bought 15 months ago.

Mr George Boyle, finance director, said that otherwise the company's divisions had seen only e gradual improvement and that the recovery remained patchy.

Elliott Group, which provides portable bullding units, showed sales slightly ahead, and Mr Boyle said the division'e steel manufacturing capacity was being strengthened. In the linen hire business, firmer occupancy rates in the London hotel market were offset by weakness in the provinces. Workwear was also proving a tough environment.

The support services arm, which undertakes cleaning and catering contracts, was affected by margin pressure, dne mainly to government employment legislation to the public service sector.

The interim dividend ls increased to 2.87p (2.73p). Mr Boyle said be anticipated last year's final dividend of 7.98p would be maintained.

Stagecoach buys two London bus companies

By Paul Taylor

Stagecoach Holdings, the acquisitive Perth-based bus operator, has succeeded in buying two of the 10 companies that run London's red buses for £25.3m in cash.

Stagecoech, which was floated on the Stock Exchange in April last year and had originally put in bids for all the London bus companies, said it had acquired East London Bus and Coach Company for £15.8m and South East London and Kent Bus Company for £9.5m. In the year to March 31 the two companies had a combined turnover of £82.7m and posted pre-tax profits of £2.4m.

The acquisitions are expected to enhance group earnings in the current financial year as improvements in the operating margins of the new subsidiaries and the benefits of economies of scale are achieved.

East London and Selkent, the second and third London bus companies to be privatised, will represent slightly more than a fifth of Stagecoach's expanded turnover and will give Stagecoach e significant presence in the London region which represents about 20 per cent of the UK market. Following the acquisitions the enlarged group will have around 11.5 per cent of the UK bus market.

Commenting on the two acquisitions Mr Brian Souter, executive chairman, said: "In the period since flotation we have set out a clear acquisition strategy designed to provide shareholders with longer-term enhanced earnings. Stagecoach was previously concentrated on provincial operations but we have succeeded this year in building e major presence in large urban areas where we believe our proven operating strategies can succeed equally well."

Medeva shares rise on 70% advance

By Tim Burt

Shares in Medeva rose 23p to 151p yesterday after the acquisitive pharmeceuticals company announced a 70 per cent increased in first half profits.

Tbe improvement was fuelled mainly by increased US demand for methylphenidate, lts treatment for hyperactivity in children and young adults, which helped lift pre-tax profits from £13m to £22.1m.

Sales of the drug more than doubled and accounted for 60 per cent of the increase in turnover from £80.1m to £107m in the six months to June 30.

Mr Bill Bogie, chief executive, declined to reveal the proportion of profits derived from methylphenidate, but he warned that its recent growth was unlikely to be sustained to the second half.

Mr Martin Taylor, chairman, said the rising sales and ehare price showed the group had recovered from lts problems last year, when a profits warning sent the shares tumbling from 216p to 116p.

Tbe company also announced that Mr Ian Gowrie-Smith, the co-founder and former managing director, was standing down as a non-executive director.

Mr Gowrie-Smith said he had decided to resign because of possible conflicts of interests with his ectivities at Brightstone, the consultancy firm formed with Mr David Lees, his long-time business partner, who resigned as Medeva's finance director in March.

Earnings per share rose 29 per cent to 4.9p (3.8p) and the interim dividend has been increased to 1.1p (0.9p) with a scrip alternative.

● COMMENT

Medeva is in danger of developing e dependency. Methylphenidate is thought to have eccounted for the bulk of profit increase, and it already has a rival in the US, its main market. Having made a partial recovery from last year's profits warning debacle, further acquisitions could also be e little hasty as it has not yet fully bedded down its existing products and infiltrated important markets such as Italy. Nevertheless, seasonal sales of its respiratory and asthma products should lift full-year profits to about £58m. The shares are pretty inexpensive on e forward multiple of about 11, but Medeva has lot to prove.

Peek profits show 57% rise to £3.26m

By David Blackwell

A strong performance from the field data systems division helped Peek, whose principal business is traffic systems, to lift toterim profits sharply.

They rose to £3.26m for the six months to June, from £2.07m in the corresponding period last year, when there was a loss of £554,000 on the disposal of discontinued businesses.

Total group sales grew by 28 per cent, from £44.3m to £56.6m.

Mr Allen Standley, chief executive, said that the field data division bad benefited from improving markets and wider acceptance of the company's newer products, including the Husky hand-held computer.

Net cash totalled £158,000 in the period, compared with net borrowings of £1.9m in the year-earlier period. Interest payable was £11,000, compared with £194,000 received previously.Earnings per share improved from 1.11p to 1.75p. The interim dividend is unchanged at 1.05p.

Telspec shares slip 18p to 285p

By Peter Pearse

Shares in Telspec fell 18p to 285p yesterday in spite of the manufacturer of advanced telecommunications equipment announcing a 30 per cent increase in first-half pre-tax profits from £1.94m to £2.52m.

Mr Garth Riley, chief executive, said the market may have reacted to a mention of a margin squeeze, and stressed that this referred only to a small proportion of the recently floated group's business. Manufacturing costs were being reduced, witb the benefits expected by the year-end.

The profits rise was struck on turnover 61 per cent ahead at £13.7m (£8.53m). The maiden interim is 1.2p, payable from earnings of 5.49p, a rise of 17 per cent.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Appleyard	int	2.9†	Oct 21	2.6	-	5.5
Boddington	int	3.15	Oct 21	2.86	-	8.03
Bowater	int	5.8	Nov 9	5.3	-	12.55
British Dredging	int	2.8	Dec 12	2.8	-	5.6
Burford	int	0.75†	Oct 3	0.65	-	1.4
Burnfield	int	1	Oct 21	1.65	-	2.5
Cementone	int	0.4†	Oct 7	-	-	-
CRH	int	2.5‡	Oct 12	2.27	-	7.23
Croda	int	3.1	Dec 5	2.95	-	8.4
Davis Service	int	2.87	Oct 28	2.73	-	7.98
Gaskell	int	1.5	Oct 24	1.5	-	4.25
Iceland	int	1.32	Nov 21	1.2	-	3.6
IMI	int	4.4	Nov 17	4.2	-	10
Kingspan	int	1.2‡	-	1	-	2.5
Macro 4	fin	11.98	Nov 7	11.48	20	17.75
Medeva	int	1.1	Nov 21	0.9	-	2.7
Metsec §	int	1	Dec 2	nil	-	2
Oriel §	int	2	Dec 2	2	-	5
Peek	int	1.05	Jan 5	1.05	-	3.4
Riv & Merc Small	fin	2.8875	Nov 6	2.75	4.1375	4
Scholl	int	2.6	Nov 7	2.6	-	6.4
Telspec	int	1.2	Oct 27	-	-	-
TR Euro Growth	fin	1.7	Oct 31	1.7	1.7	1.7
USDC	int	1.25	Oct 21	1.25	-	4.5
Wimpey (George)	int	2	Oct 31	2	-	5.25
WSP	int	1	Oct 16	0.9	-	1.6

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ‡Irish currency.

More jobs go at Central as Carlton restructures

By Raymond Snoddy

Carlton Communications moved to integrate its Central Television acquisition more closely – a restructuring that will cost a further 180 jobs and lead to savings of more than £15m a year.

Carlton UK Television, the UK's largest commercial television company, broadcasting to 20m people in London and the Midlands, was formed following the £758m acquisition of Central last November.

The programming commissioning and production arms of Carlton and Central will be integrated into Carlton UK Productions, under Mr Paul Jackson as managing director. Broadcasting services will combine under Mr Clive Jones.

The ITV company also confirmed its intention to move its Birmingham broadcasting centre to a new purpose-designed building in the city and to transfer sòme operations to its Nottingham studios.

The restructuring will lead to 40 job losses by the end of this year. When the new Birmingham centre is in operation about 90 jobs will be transferred to Nottingham, and the overall workforce will be reduced by a further 140.

Union representatives said yesterday tbey were "devasted" by the further job losses – 50 jobs had already gone since the merger.

Ten years ago Central alone had 2,400 staff. When the present restructuring is complete, the combined Carlton UK Television will have a total of about 1,000 although a large number of independent producers are employed indirectly.

Mr Andy Allan, chief executive of Carlton UK Television, said the integration and job losses were necessary to create the sort of company thet could compete not just in Europe but in the rest of the world.

From January 1, Birmingham-based Central Television and London-based Carlton Televislon will be known as Central Broadcasting and Carlton Broadcasting.

"Strong regional boards and management will ensure that regional services, including news and regional programmes, will maintain their distinctive character and be of the highest quallty," Mr Allan said. The aim was to increase the amount of production at the Nottingham studios, not just making programmes for ITV but eventually for other countries. He ndded: "If the BBC is interested we would be delighted to talk to them."

At the time of the takeover it was suggested that £10m-£15m a year could be saved by ratlonalisatlon. Mr Allan expects savings of £15m a year.

Mr Mark Beilby, media analyst at S.G. Warburg, said that with llttle real growth in advertising revenues expected over the longer term, ITV companies had to cut costs.

Carlton's share price gained 12p to close at 857p.

Boddington declines to £13m

By Roderick Oram

Boddington Group, the pubs, hotels, nursing bomes and drink distributor, reported pre-tax profits for the 26 weeks to July 3 almost halved at £13.1m, against £26.2m which included a gain of £13m from the sale of its stake in Devenish.

However underlying profits grew by 6.4 per cent despite patchy recovery in consumer spending.

"All the economic indicators are set in the right direction," said Mr Denis Cassidy, chairman, but cautious consumers still needed to justify to themselves "the need to spend".

Trading profits rose to £15.5m (£14.7m) with all four divisions increasing profits. Turnover rose 14 per cent to £129m (£113.2m).

Its estate of 477 pubs, all in north west England, produced a 4 per cent rise in profits to £10.7m (£10.3m) on turnover up 6.5 per cent to £53.5m (£50.3m). Managed pubs showed an 12 per cent rise but tenanted profits were down 11.3 per cent on 8.2 per cent fewer pubs.

Beer volumes in its regional market fell 3.9 per cent with the fall to the managed pubs limited to 2.1 per cent on a like-for-like basis while tenanted pub volumes fell 4.9 per cent.

Liquid Assets, the drinks distributor, lifted profits by only 5.8 per cent to £3.04m (£2.87m) despite e 20 per cent increase in turnover to £59m (£49.2m).

Leisure hotels rose 51 per cent to £1.7m (£1.13m) on turnover up 30 per cent at £9.4m (£7.18m). Healthcare, consisting of 17 nursing homes in the south east of England, reported a 3.4 per cent increase to £1.66m (£1.6m) on turnover ahead 10 per cent at £7.1m (£6.41m).

The interim dividend is lifted to 3.15p (2.86p) from earnings per share of 8.4p (18.5p) or 8.2p (7.6p) excluding property and exceptional items.

● COMMENT

Boddington produced the good results expected from a group which had spotted early the benefits of selling its regional brewery to concentrate on pub retailing. But two weaknesses are apparent, tenanted pubs and drinks wholesaling. It must move faster to switch to higher margin managed pubs and to expand its estate. On the wholesaling side, it has yet to show that volume growth can bring economies of scale. On full-year pre-tax profit forecasts of £30.5m and eps of 19.4p, the shares are on a prospective multiple of about 15. That is a fair rating until Boddington makes more of its pubs and distribution businesses.

Burford Holdings more than doubles to £5.12m

By Christopher Price

Burford Holdings, the acquisitive property group, yesterday reported interim pre-tax profits more than doubled from £1.93m to £5.12m. The company also announced the issne of a £100m mortgage debenture, primarily to pay for the Trocadero Centre in London's West End, which was purchased over the summer.

Turnover showed a similar increase, rising from £5.11m in the same period last year to £11.5m. Earnings per share advanced by a more modest 34 per cent to 1.6p (1.19p), reflecting February'e £100m rights issue.

Besides the Trocadero deal, which cost £94m, Burford spent £103m on a commercial property portfolio from Ladbroke during the first half. Together witb some smaller deals, Burford aetimates that its annualised rental roll will be £35m at the end of the financial year, double its expectation a year ago. Rental income et the interim stage had increased from £4.7m to £10.8m.

Mr Nigel Wray, chairman, said the refurbishment of the Trocadero, on one of Europe'e busiest thoroughfares at Piccadilly Circus, would begin as soon as the company took possession later this month.

The company intended to strengthen the centre's entertainment facilities, taking advantage of its vacant 120,000 sq ft of office space. He estimated the refurbishment cost at about £7m.

The debenture would allow the company to continue its strategy of pursuing moderately large tovestment opportunities, he added.

An interim dividend of 0.75p, against 0.65p, was declared.

Wates City drops down to £1.3m loss

By Christopher Price

The slow recovery in the commercial property market continued to exact e toll on Wates City of London Properties, which yesterday reported an interim pre-tax loss of £1.3m against a profit of £900,000.

The company attributed part of the fall to charging rather than capitalising interest to its associated companies, where losses increased from £159,000 to £1.9m.

Operating profits for the six months to end June dropped 51 per cent to £2.79m (£5.68m). The loss per share came out at 1.01p, compared with earnings of 0.43p.

Again, no interim dividend was recommended and the board said it did not expect to pay one for the full year.

Mr John Nettleton, managing director, said the downturn was e result of the company's strategy of selling its tocome producing properties in favour of keeping its development interests.

"We continue to believe that there will he a strong upturn in the property cycle when our policies will be vindicated." He added that several large developments would begin producing rental income over the next 12 months.

CRH continues strong growth with 60% rise

By Tim Coone in Dublin

Pre-tax profits at CRH continued their strong growth in the six months to June 30 advancing 60 per cent from I£25.1m to I£40.1m (£39.7m) on turnover up 12 per cent at I£725.7m, against I£647.3m.

The Dublin-based construction and building materials group said an increase in construction activity in the company's core market in the Irish Republic, compared with a depressed first half of 1993, had contributed to the growth.

They were further helped by improvements in the UK and increased contributions from two US associates in the tempered glass and masonry industries.

Mr Tony Barry, chief executive, expected more moderate growth in the second half, but said "we do expect e good improvement in the results for the year as a whole".

There was net interest receivable of I£129,000, against charges of I£2.77m, reflecting the benefits of last year's rights issue and strong cash flow. The period end debt:equity ratio was 19.6 per cent.

Mr Jack Hayes, managing director for finance and development, said thet by the end of the year the group would have I£100m in cash for acquisitions, which could be enhanced by borrowing up to I£200m.

Earnings per share rose 37 per cent to 9.26p (6.77p), and the interim dividend is raised to 2.5p (2.27p).

Dublin analysts anticipate full-year profits of between I£110m and I£115m for earnings of 25p-27p per share, giving a prospective p/e of about 15.

Greene King sells Morland stake

By Roderick Oram

Greene King, the East Anglian brewer, bas sold for £28.7m its 28.8 per cent stake in Morland, the Thames Valley brewer it failed to acquire in 1992.

Hoare Govett, the stockbroker, bought the 6.23m shares for 460p a share and placed them with institutions. Greene King had paid an average of 450p a share for them during the abortive bid, with the bulk coming from the Whitbread Investment Company.

Greene King will book an exceptional profit of £600,000 before expenses but it had already taken e £2.7m charge for the bid costs in its 1992 results. It will use the proceeds to cut its debt to £66m from £95m. Gearing will fall by 10 percentage points to 30 per cent.

Greene King was ettracted by Morland's pub estate in the Thames Valley. It also hoped to close Morland's Abingdon brewery and use the site as a distribution centre for its own beers such as Abbott and IPA.

New cars boost Appleyard

By Peter Pearse

"A healthier market", especially to new cars, helped Appleyard, the Yorkshire motor dealer, lift pre-tax profits 61 per cent in the first half.

The rise from £2.61m to £4.2m was also underpinned by a sharp increase in the operating profits contribntion to £1.4m (£545,000) from a 50-50 joint venture with Barclays on the contract hire side. Group turnover rose 42 per cent to £251m (£177.2m), including £27m from acquisitions.

Mr John Atkin, business development director, said that, excluding acquisltions, the group's sale of new vehicles was up 20 per cent, against a 14 per cent rise in the national market. The sale of used units grew 15 per cent to about 10,500.

In the period, the group spent £18.3m on acquisitions, having raised £16.4m in e September 1993 rights issue. It now has 94 franchises – including five marques new to the group – on 62 sites.

Earnings advanced to 4.5p (3.7p) per share and the interim dividend is 2.9p (2.6p).

COMPANY NEWS: UK

Housebuilding profits increase fourfold as construction stays tough

Wimpey recovers to £7.5m

By Andrew Taylor, Construction Correspondent

Wimpey, Britain's biggest housebuilder, yesterday confirmed that the housebuilding revival was still on track as it announced a recovery from a restated £200,000 loss to a £7.5m pre-tax profit in the first six months of this year.

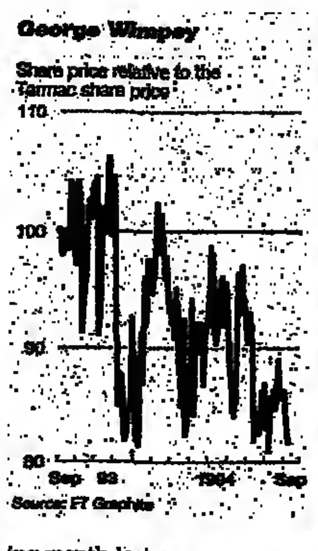
The company, which is paying a maintained interim dividend of 2p, held out the prospect of an increase in the 3.25p final dividend at the end of the year when it said it would review payments to shareholders "in the light of trading prospects for 1995".

Mr Joe Dwyer, chief executive, said these had improved for most of the group's businesses although conditions in construction remained very tough.

Earnings per share in the first half rose from 0.28p to 1.36p, requiring a transfer from reserves of £2.3m to meet the cost of the interim dividend. The company traditionally earns the bulk of its profits in the second half.

Wimpey has changed its policy and now charges interest against discontinued businesses against current profits rather than including them in provisions. This led to last year's £1.1m first half profit being restated as a £200,000 loss.

Mr Dwyer said that UK house sales, after faltering earlier in the summer, had risen by about a quarter in August compared with the corresponding month last year.



"This gives us confidence that the autumn, the second most important selling season of the year, will be quite reasonable," he said. Other housebuilders have also reported a revival in sales in August.

Mr Dwyer said that a lull in the market had occurred at the same time as the World Cup soccer finals. Even so, UK house sales since May were about 15 per cent higher on average compared with the corresponding period last year.

The group expects UK completions for the year to increase to 8,000 from 6,936 in 1993.

Honsebnilding profits, including the US and Australia, rose fourfold in the first half, from £2.6m to £10.5m, on turnover increased from £195m to £246m.

Joe Dwyer: improved trading prospects in most businesses

Profits from the UK and US minerals division fall from £4.6m to £100,000 but this masked an improvement of more than £2m as last year'a profits included £6.7m of planning fees from the group's former waste business.

The performance of the minerals division, boosted by price and volume sales increases in the UK, was even more impressive given that US results were depressed by severe winter weather, said Mr Dwyer. Construction profits, had fallen from £5.8m to £3.8m. although the bottom may have been reached in this market.

● COMMENT

Margins on UK house sales should reach double figures by the end of this year, leaving little scope for further improvement given the company's emphasis on first time buyers. Wimpey should therefore be regarded as a construction and minerals recovery play, where Tarmac, scores more heavily. Wimpey's atrength is in its superior balance sheet, where gearing is expected to be only 15 per cent by the year end. Profits of £48m and £68m would put the group on prospective multiples of 17 and almost 13, indicating that it still has mnch to do before it closes the gap with its rival.

Depressed Europe leaves Scholl lower

By David Blackwell

Shares in Scboll, the healthcare products group, fell more than 10 per cent yesterday as the company reported lower interim profits and the imminent completion of a business review.

Pre-tax profits for the six months to June 30 fell from £11.7m to £9.96m, hit by depressed trading in Europe, higher spending on promotion and interest payments. The shares closed at 164, off 20.

Mr Neil Franchino, cbief executive, said the group had been studying changes to its structure for tbe past 12 months, but had not fine-tuned the costs. Definitive plans would be announced within three months.

There would be strong benefits from the restructuring in the medium term, he said. "The changes won't cost a dramatic amount and will be financed internally." They would be aimed at increasing efficiency and could involve closing some of the 150 shops.

Total turnover improved from £94.1m to £100.1m, helped by growth in south east Asia and sales from Septivon in France and Scholl Japan, both acquired last year.

However, sales in the UK and Europe were down by £2.7m, and currency movements cost a further £1.6m. In the UK, which accounts for about 20 per cent of turnover, sales to the trade were 3 per cent down following consolidation of distribution networks.

Promotional spending increased from £6.9m to £9.5m in the half, mainly to give the two acquisitions a good start.

Interest payable was £327,000, compared with previons interest receivable of £512,000.

Earnings per share fell from 8.2p to 9.8p. The interim dividend is unchanged at 2.6p.

Macro 4 up at £11.2m despite subdued trading

By Paul Taylor

Macro 4, the systems software group whose products run on IBM or IBM-compatible mainframe and mid-range computers, managed a 6.8 per cent increase in full year pre-tax profits despite "subdued" trading conditions and lower interest receipts.

Pre-tax profits advanced to £11.2m in the year to June 30, up from £10.5m the previous year on turnover which increased by a modest 4.8 per cent to £24.4m (£23.3m).

Earnings per share increased by 8.6 per cent to 34.2p (31.5p) and a final dividend of 11.98p (11.48p) is proposed making a total of 20p (17.75p) for the year.

Despite the profit improvement and 12.7 per cent increase in full year dividend the shares, which bave fallen sharply from a high of 723p in early February, closed 12p lower at 543p reflecting the market's concerns about the state of the mainframe software market.

Mr Terry Kelly, cbairman, said the group had continued to make progress, with turnover and contributions to group profit increasing in all the group's established subsidiaries, albeit by small amounts in some countries.

He said the group was continuing to invest in its newer range of systems software designed to run on IBM's AS/400 mid-range computers. This "places the group in a sound position for future growth".

However Mr Kelly acknowledged that the software market was "at a bit of a crossroods" witb customers uncertain about the future role of mainframe and mid-range machines as the trend towarda client/server computing gathers pace.

"I cootinue to be cautious regarding the coming year's prospects against a background of cootiouing change within the computer user enviroment, change wbich is, partly at least, responsible for the continued rate of contract cancellations within tbe group," he said.

Nevertbeless he predicted that the group would remain cash generative and produce a furtber modest improvement in profits this year.

Operating profits increased by 8.1 per cent to £9.97m (£9.22m). Interest earnings slipped to £1.25m (£1.28m) reflecting lower interest rates partly offset by interest on a delayed tax payment.

Group cash balances increased by £2.69m to £22.4m at the end of June although both year-end figures benefitted from tax payments wbicb were delayed. On a comparable basis cash balances increased from £18.2m to £21.3m.

Rec buy-backs gather momentum

By Peggy Hollinger

Tbe rusb by regional electricity companies to buy back their own shares before dealing restrictions take effect at the end of the month gathered pace yesterday with purchases by South Wales Electric and South Western Electricity.

South Wales bought 500,000 sbares, representing 0.5 per cent of its equity, for £4.1m at a price of 815p per share.

Tha company is widely expected to follow this first purchase with further buying before the closed period takes effect at the end of the month.

South Western Electricity bought 750,000 shares at 805p, bringing the total acquired in the last week to 4.25m shares, or 3.4 per cent of the share capital.

The recs bave the power to buy back up to 10 per cent of the issued share capital. This would enhance both earnings and the potential to increase dividends.

"If people are paying anything more than lip service to improving shareholders' value, they ought to bny back the maximum allowable," said one industry source.

However, their opportunities are limited by restrictions on buying in advance of results or prior to any announcement on the future of the National Grid, in which they are shareholders.

Shares in South Wales jumped 31p to 815p after the announcement. South Western shares fell by 7p to 803p.

Independent Newspapers expands

By Raymond Snoddy

Mr Tony O'Reilly's Independent Newspapers of Ireland has expanded its international newspaper investments by taking a small stake in Jornalgeste.

The publicly quoted Portuguese group accounts for half of Portugal's newspaper sales through its two national titles Jornal de Noticias and Diario de Noticias.

The Irish group is taking a 6.6 per cent stake, which is being paid for with new shares in Independent Newspapers worth IR£ 5.9m.

Mr Liam Healey, chief executive of Independent Newspapers, said the company had made the investment because it believed that the Portuguese economy was strengthening.

Tim Bell sheds acquisitions after listing

By Raymond Snoddy

Sir Timothy Bell, tha pnblic relations specialist, has started to rid himself of the businesses acquired last year in a reverse takeover designed to get a Stock Exchange listing for Chime Communications.

The company said yesterday that its subsidiary The Carpet Tile Company had sold its business and certain assets to a Sirdar subsidiary for £1.4m.

At the same time Chime, the holding company for Lowe Bell Communications, has agreed to acquire Green Moon, a specialist consumer public relations company, for £1.1m in a mixture of cash and shares. It is also selling Venesta Cubicle Systems, which makes toilet partitions.

In the three months to June 30 Chime made a pre-tax profit of £208,000 on turnover of £3.39m. The results include only one month's returns from Lowe Bell.

Sir Timothy Bell said yesterday that the outlook for the rest of the year remained encouraging. He added that trading performance was ahead of last year.

NEWS DIGEST

Oriel tops £2m at midway

Oriel Group, the insurance broker, consolidated its return to the black in the first quarter and reported a pre-tax profit of £2.03m for the six months to June 30.

The outcome was achieved on income of £8.82m and compared with a deficit of £28,000 from income of £4.65m in the 1993 first half.

Earnings per share came out at 5.7p (1.2p losses) and the interim dividend is maintained at 2p.

Since the period end Oriel has completed a £4m rights issue.

Metsec

Metsec continued the progress made over the past 18 months, reporting a pre-tax profit of £754,000 on turnover of £29.1m for the six months to end-June.

The outcome compared with profits of £505,000 on turnover of £25.9m in the previous first half. After an increased tax charge of £377,000 (£122,000) earnings per share came out at 2.44p (2.48p). The interim dividend is being restored with a 1p pay-out.

The USM-qnoted company, which has interests to building products electronics and engineering, said that tha higher tax charge arose because losses from its US operations were not allowable against other group profits.

River & Merc Small

The net asset value per share of River & Mercantile Smaller Companies investment Trust was 143.6p at July 31, a rise of 8.6 per cent on the 132.2p 12 months earlier.

Net revenue for the year to the end of July was £1.03m (£1.02m) for earnings per share of 4.11p (4.07p).

The proposed final dividend is 2.8875p (2.75p) for a total of 4.1375p (4p).

TR Euro Growth

TR European Growth Trust achieved a 45 per cent increase in net asset value per share from 117.64p to 170.99p over the 12 months to June 30. The fully diluted figure rose 42 per cent from 116.13p to 164.62p.

For the year to the end of June net revenue fell from £1.01m to £985,000 for earnings per share of 2.48p (2.61p). Directors propose maintaining the single final dividend at 1.7p.

Estates & General

Estates & General, the property developer and investor, reported reduced pre-tax losses of £970,000 for the six months to June 30, against a deficit of £1.53m in the comparable period of 1993.

The improvement was achieved on turnover down from £5.01m to £4.03m and was principally the result of a reduction in the interest charge from £4.66m to £3.57m.

Mr Peter Prowting, chairman, said that debt had been reduced by a selective disposal programme.

Losses per share emerged at 4.54p (7.16p).

Burnfield

Burnfield, the international controls and measurement equipment group, staged a recovery to profits of £1.54m from turnover of £19.7m in the half year to July 1, after incurring losses of £493,000 in the second half of 1993.

The result for the latest period, whicb included an exceptional operating gain of £253,000 from tha settlement of a customer dispute at Isopad, compared with a profit of £1.27m on turnover of £18.4m in the 1993 first half.

After a reduced tax charge of £461,000 (£525,000) earnings per share worked through at 3.1p (2.2p). The interim dividend, however, is cut to 1p (1.65p).

USDC Inv Trust

The net asset value per share of USDC Investment Trust fell 2.5 per cent from 281.5p to 274.4p in the six months to June 30. This compares with a fall of 13 per cent in the FT-SE-A All-Share Index.

Net revenue for the half year to the end of June was £931,000 (£685,000) for earnings per share of 2.54p (1.87p). The interim dividend is unchanged at 1.25p.

British Dredging

British Dredging, the builders merchant, reported pre-tax profits 16 per cent higher at £858,000 for the six months to the end of June, against £739,000. Turnover improved from £17.3m to £18.7m, an increase of 8 per cent.

Earnings per share came out at 3.28p (2.83p) and the interim dividend is unchanged at 2.6p.

WSP

Pre-tax profits at WSP Group, the consulting engineering company, were up 95 per cent from £279,000 to £545,000 in the six months to June 30, on turnover doubled to £10.2m, against £5.1m.

Announcing the first interim results since its merger with ABConsultancy last October, Mr Peter Welch, chairman, said the company's order book was at its highest since 1990 and that he was "encouraged that the commercial and retail sectors are showing signs of recovery".

The interim dividend rises 11 per cent to 1p (0.9p). Earnings per share remained 1.9p.

Gaskell

Gaskell, the carpet manufacturing group, announced a fall in pre-tax profits for the six months to July 1, down from £393,000 to £24,000.

However, turnover was ahead at £18.6m (£14.3m), and the company described its fortunes as improving; the 1993 interim pre-tax figure was struck after an exceptional payment of £913,000 for assets destroyed by fire (nil).

The interim dividend is maintained at 1.5p. Earnings came out at 0.2p (5.2p), or 0.2p against losses of 13.6p excluding the exceptional payment.

Kingspan

Improved trading margins enabled Kingspan Group, the Irish Republic-based building products group, to report pre-tax profits for the six months to June 30 ahead by 57 per cent to I£2.05m (£2.03m), compared with I£1.3m.

Turnover improved from I£29m to I£30.4m. Earnings per share came out at 6.44p (3.88p) and the interim dividend is being raised to 1.2p (1p).

Strong & Fisher

Strong & Fisher (Holdings), the sheepskin processing company, saw pre-tax profits creep up from £1.72m to £1.75m in the six months to June 30. Turnover rose 10 per cent from £48.1m to £53.1m.

Earnings per share fell to 0.6p (0.69p).

The company is 87.89 per cent owned by Hillsdown Holdings.

Robinson Brothers

Robinson Brothers (Ryders Green), the unquoted West Bromwich-based chemicals group, reported pre-tax profits down by 24 per cent to £1.45m in the first half of 1994, compared with £1.9m.

Turnover was static at £14m. The company said that trading continued tq bs adequate. Earnings per £1 share were 59p (74p).

Macfarlane

Macfarlane Group (Clansman), the Glasgow-based packaging group, has spent £7.75m of its £20m cash pile on Wicklow Custom Packaging of Ireland.

Based in Newtownmountkennedy, WCP makes injection moulded plastic products for the pharmaceutical, electronic, food, drink and toy industries. In the six months to June 30, it made pre-tax profits of £556,000 and, at that date, had net assets of £1.87m.

At the same time, but under a separate agreement, the vendors have subscribed for 1m new ordinary Macfarlans shares at 254p apiece.

Manweb cuts workforce by 11% to save £20m

By Peggy Hollinger

Manweb is cutting 500 jobs, 11 per cent of its workforce, in a move expected to save the Cheshire-based electricity distributor and supplier up to £20m a year by 1997.

The group is the second in the sector to respond to the regulator's recent price review with job cuts and e wide-ranging restructuring.

Norweb announced just two weeks ago that it would shed 1,200 jobs over five years. Most of the regional electricity companies are expected to announce similar action to cut costs over the coming weeks.

Manweb said it would shed the jobs over three years with 400 coming from a fundamental restructuring of the electricity distribution business into three centralised divisions. The remaining losses would result from efficiency savings.

Mr John Roberts, chief executive, said tha restructuring was not simply a knee-jerk reaction to the price review, which was widely perceived to have hit Manweb harder than some of the other regional electricity companies.

"It is the next logical stage in the development of our strategy," he said. The first etage had been to cut coets afterprivatisation and the second was to improve the quality. This, the third stage, was about holding the improved quality and cutting costs yet further.

Analysts welcomed the cost cuts, which were largely as expected, with some reservations. "The regulator said they were a high-cost producer, so they have got to take costs out," said one. "But even after this they will still be among the highest cost producers."

Mr Roberts said Manweb would continue to seek savings through innovation and restructuring. Although cost cutting would get more difficult over time, Manweb had no intention of developing an alternate earnings stream by diversifying into non-regulated businesses.

He was confident Manweb would be able to continne delivering dividend growth above the sector average for some time. Analysts speculated that Manweb could deliver growth of up to 9 per cent above inflation, and still retain cover of about two times by 2000.

The shares moved ahead by 2.4 per cent to 851p in a relatively flat sector.

Manweb is expected to take exceptional charges of about £30m this year, of which two-thirds will be the result of job losses and restructuring. The balance will cover the costs of the government debt buy-back completed in July.

£24m investment for Croda

By Tim Burt

Croda International, the chemicals and coatings group, yesterday announced plans to invest £24m to exploit rising demand for its speciality chemicals.

Bnoyant chemical sales underpinned a 5 per cent increase in first half pre-tax profits from £18.5m to £19.5m, and contributed to increased turnover of £210m (£191m) in the six months to June 30.

Underlying profits rose by 12.7 per cent after stripping out last year's £1.2m pension credit, but the group admitted it had been hit by capacity constraints at some plants.

In a bid to overcome those problems, it plans to spend £15m on new facilities at its UK plants and invest sizeable sums on developing its Pennsylvania factory in the US.

Shares in the gronp, bowever, fell 9p to 377p yesterday after the group said its strong chemicals performance had been dented by losses in its cosmetics and toiletries business and heavy environmental costs in the coatings division.

"The cosmetics business has done badly and taken the shine off the results," said Mr Michael Valentine, chairman.

The division, which mannfactures products such as lipstick and nail varnish, raported trading losses of £500,000 – a £1m drop on last year'e profit.

Coatings, meanwbile, reported redneed profits of £1.9m (£2.4m) following the disposal last year of most of its printing ink business and rising environmental costs in the US.

The two divisions were, bowever, oversbadowed by progress in the chemicals business, which saw trading profits rise from £18.7m to £21.6m.

Mr Valentina said the improvement reflected rising demand for personal care ingredients and the group's success in overcoming higher raw material prices.

The £24m investment programme is expected to increase the dominance of the chemicals business, and tha group said it would sell US inks operations and the cosmetics business "at the right price".

Earnings per share rose from 9.4p to 9.9p, and the interim dividend is 3.1p (2.95p).

● COMMENT

If Croda can resolve its capacity constraints rapidly, it ebould be set fair for some time to come. The chemicals business, relying mostly on natural ingredients, bas weathered raw material price increases related to flooding last year. With the cost of its ingredients set to fall, it should be able to push up its margins in a buoyant market. With volume sales at the highest level since 1974, however, the picture should be rosier than it is. Parts of the coatings division and the entire cosmetics business are up for sale, bnt finding buyers has not proved easy. Their weak prospects are expected to hold full year profits at £42m and the shares – on a forward multiple of 18 – look pricey. But they remain below the chemical sector average and are probably worth holding on to for existing investors.

Success through an innovative approach

SPL has carved itself a niche in the satellite communications business, reports Alan Cane

Growth from technology

High winds and hurricanes test satellite communications to the limit. Four years ago, winds gusting to 70 mph and more raked a north American ground station owned by Teleglobe, Canada's overseas telecommunications utility.

Two of the three 100ft dish antennae had to be lashed down for safety. The third featured controls built by Signal Processors, a small UK technology company. Blown about so badly that the dish was forced onto its brake stops, the system nevertheless returned the antenna to the right track and data flow from the satellite continued uninterrupted.

Mr Robin Smith-Saville, co-founder and chairman of Signal Processors, tells this story with relish as an example of European success in an industry dominated by large US corporations.

Based on the Cambridge science park, the company is in two principal businesees: ground station antennae controllers – electronics which ensure the antenna is pointing at the satellite – and satellite data modems. Both are key to the eatellite communications business. Modems are the electronic black boxes which translate analogue data signals into digital form and vice-versa. Comstream of San Diego is one of the biggest players in this market; SPL reckons to be the largest European satellite modem manufacturer.

Privately held, the company will turn over about $3.5m (£2.25m) this year, 35 per cent up on last year. Mr Geoffrey Walker, finance director, expects a further 30 per cent growth next year.

SPL was founded in 1982 as a spin-out from Cambridge Consultants by Mr Smith-Saville, Mr Martin Smith, now technical director, and Mr Roscoe Turner, production director. It has been profitable for 10 of its 12 years' trading, albeit at a low level. Its growth has been eteady, if unexciting. Mr Smith-Saville blames chiefly the dollar exchange rate. The recession in Europe has not helped.

It numbers among its customers AT&T, British Telecommunications, the European Space Agency, and both the US and UK defence departments. In 1993, for example, it managed a $1.5m project for AT&T involving the retrofitting of five 32m and two 11m dishes with its controllers.

Now the company is looking ahead to the burgeoning data broadcasting market – customers in this field include financial dealers who want information gathered across the world on their desks.

If there are growth opportunities ahead, there is no lack of competition. In its core antennae control business, SPL faces stiffening opposition from large US manufacturers like Comsat-RSI, which are beginning to offer antenna and controller as an integrated package. This presents SPL with a marketing problem. It supplies its controller as a plug-in unit about the size of a large suitcase, but it does not manufacture dishes or the motors which move them.

Brendan Corr

Geoffrey Walker (left) and Robin Smith-Saville: looking ahead to the burgeoning data broadcasting market

It points, however, to its record of innovation. It pioneered antennae controls which track satellites through space by modelling their orbit mathematically. American competitors are now beginning to usa the same technique: "But we have 14 years of software development behind us," Mr Smith-Saville says.

SPL was the first to develop a low-cost method of correcting the errors which inevitably creep into satellite transmissions; now it has developed a printed circuit board which slips inside a conventional personal computer turning it, when an antenna is added, into a satellite data receiver.

SPL's catalogue is a combination of "me-first" products and "me-cbeapest". It has developed an antenna control system for the important VSAT (very small aperture terminal) market, which is being used increasingly to provide two-way communications services to businesses in the US and Europe. The SPL system costs $5,000 while providing the facilities found in $25,000 systems.

Mr Smith-Saville does not believe the company will have to find new money to fund what he sees as its expected growth and exploitation of the data broadcasting market.

He is trying to balance equity, overdraft and medium term loans. Initial funds of £75,000 were boosted in 1988 by a business development loan from NatWest of £250,000 which will be repaid next month. A second loan of the same amount was drawn earlier this year.

In 1989 MTI, a venture capital fund, bought 33 per cent of the equity for £400,000. The investment has a fixed life and it is now time for MTI to exit and close the fund.

Mr Smith-Saville says he is open minded about the future. It is entirely possible that MTI could reinvest in the company; going public is another option.

Ha favours, howaver, the replacement of MTI by a new investor who could help to improve SPL's access to the satellite communications marketplace. It would not necessarily be a UK company.

Previous articles in this series appeared on August 10, 16, 19 and 25.

NEWS IN BRIEF

ARGENT, the property concern floated on stock market in June, has purchased 28 acres of Thames Valley Park, Reading, for £17.4m, from Oracle, US computer group.Argent immediately sold seven acres to British Gas for £5.8m.

BROMSGROVE INDUSTRIES has acquired Medin, manufacturer of autoclaves and steriliser units for medical applications, for up to £5.93m cash.

BWD SECURITIES has agreed to acquire Freshquest for an initial consideration of 190,000 shares. Further consideration may be payable up to a maximum of £329,800 conditional on future level of income. Any further consideration will be satisfied by shares.

COURT CAVENDISH Group has acquired a newly-refurbished and registered nursing home located in Ipswich, Burlington Nursing Home, with 40 beds. The purchase price was £775,000 with a further £270,000 on upgrading.

ENVIROMED confirms it is consideraing an acquisition in the dental and oral products market in the region of £7.5m.

EUROMONEY PUBLICATIONS, through its Petroleum Economist subsidiary, is to acquire Petroleum Outlook, an oil and gas monthly magazine, from John S Herold. The initial payment is $150,000 (£96,000) with the maximum consideration capped at $1.15m.

GROSVENOR PROPERTY Investments has sold freehold interest in the Arndale Shopping Centre, Morecombe, for £12m. The 113,000 sq ft covered shopping centre is let at a total rent of some £1.1m per annum.

JOHNSTON GROUP has sold Smitham Garage to Harwoods of Sussex of about £1m cash. Proceeds of the sala will be used to reduce gearing.

HILLSDOWN HOLDINGS has bougbt Materne Fruibourg, France's second largest jam and fruit compôte maker, from Groupe Danone. The acquisition is not material to Hillsdown's net assets.

LOPEX has sold its 40 per cent holding in Gultig & Hoffmeister Alliance, an advertising agency based in Frankfurt, to the remaining shareholder for a nominal sum. G&H incurred a loss of £14,000 in the first half of the current year.

PHOENIX TIMBER GROUP has acquired Barlow Pugh & Associates for £310,000 casb.

RPA, a property preservation specialist, made pre-tax profits of £48,000 in the nine months to May 31, at which date it had a net asset value of £107,551.

SAFELAND has purchased a retail investment property from Kempstone for £810,000 cash.

SURREY GROUP is to acquire two licensed betting offices in East Anglia from TS James Leisure for £383,000. The purchase is to be satisfied by the issue of 12.6m shares at 1.25p apiece with tha balance of £225,512 paid in cash.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on [illegible]: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh
0030	9.96	12.13	14.45
0100	9.84	10.80	13.12
0130	9.94	10.80	13.12
0200	9.94	10.80	13.12
0230	9.94	10.80	13.12
0300	9.94	10.80	13.12
0330	9.94	10.80	13.12
0400	9.84	10.80	13.12
0430	9.94	10.80	13.12
0500	9.94	9.90	9.90
0530	9.58	10.05	10.06
0600	9.94	10.80	13.12
0630	9.35	10.80	13.12
0700	13.21	12.08	14.40
0730	16.53	17.06	19.37
0800	16.48	18.05	20.38
0830	16.50	27.26	29.63
0900	17.01	27.43	30.00
0930	17.06	28.57	31.31
1000	16.12	35.76	38.84
1030	17.18	36.04	36.97
1100	17.19	29.82	32.86
1130	17.20	37.44	40.71
1200	17.34	38.98	42.46
1230	34.95	38.78	42.15
1300	17.16	37.00	40.85
1330	17.04	35.58	38.40
1400	16.98	28.48	31.16
1430	16.98	28.24	30.86
1500	16.98	28.24	30.86
1530	17.00	28.31	30.94
1600	16.89	28.78	31.52
1630	31.94	34.20	37.22
1700	32.00	43.23	46.39
1730	31.91	42.60	45.59
1830	31.78	38.78	41.47
1830	16.93	27.30	29.68
1900	16.46	21.40	23.73
1930	13.61	19.15	21.47
2000	16.47	18.03	20.35
2030	25.62	17.06	19.37
2100	26.62	18.03	20.36
2130	24.64	31.00	33.32
2200	16.46	31.00	33.32
2230	16.42	18.03	20.34
2300	16.30	17.06	18.37
2330	16.30	16.45	18.78
2400	13.54	15.94	18.26

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. [illegible] ©Energy Settlements and Information Services Limited

FINANCIAL TIMES SURVEY

ENTERPRISE IN WALES

Wednesday September 7 1994

Though the optimism is tinged with caution, signs from the Welsh economy are encouraging, writes **Roland Adburgham**

A portent of recovery

When work on the long-delayed £150m barrage across Cardiff Bay finally started earlier this year, it could be seen as a portent that the long-heralded recovery was at last under way in Wales.

Although the business community is careful to tinge optimism with caution, there has been a string of encouraging signs. That optimism, according to surveys by the Confederation of British Industry, has risen in the principality for seven successive quarters. An analysis published last month by the CBI and the consultancy Business Strategies found that manufacturers had higher expectations for orders and output than in any other region.

"Wales has weathered the recession quite well and better than some people might have expected," says Dr Elizabeth Haywood, director of CBI Wales. And Mr Robert Ellis, senior partner in south Wales of Touche Ross, the accountancy firm, comments: "Confidence is moving slowly in the right direction."

A recent Touche Ross/Western Mail survey of business opinion found a third of companies expected to employ more people in six months' time and only one in 10 fewer. While 700 redundancies announced last mouth at Swansea's Driver and Vehicle Licensing Centre show that big employers are still shedding jobs, the unemployment rate was down to 9.6 per cent in July (compared with the UK average of 9.3 per cent).

There are other signs of a pick-up in activity. Mr John Mitchell, chief executive of Principality Building Society, says the "feel good" factor has increased in recent months. "This year our mortgage lending will break all previous records." In July, Cardiff-Wales airport handled a record 144,000 passengers, a rise for the 15th consecutive month. Lending by the Bank of Wales to manufacturers has increased by nearly 50 per cent over the last 12 months.

Mr Paul Guy, chief executive of TBI, the Cardiff-based property group which became a quoted company this year, believes business has much improved. But he warns: "The market won't help you out in the 1990s like in the 1980s. To be a success, you have to prove you have e better management team in place."

The more positive picture cannot disguise the fact that Wales still lags on a range of measures. The country is seen as having the potential to become one of Europe's most prosperous regions. First, it has to catch up with other parts of Britain. Gross domestic product per head was only 86.1 per cent of the UK average in 1992; remarkably, in view of the restructuring which has taken place, the gap is just 0.3 per cent narrower than a decade earlier. Income per head in 1992 was lower than in any other UK region.

The corollary is that Wales would be much worse placed had it not moved from dependency on coal and steel to e broader-based economy. While service industries such as tourism are crucial (and agriculture still employs 65,000 people), the revitalised manufacturing base helped the country through the recession. Steel remains a large employer but, as Dr Haywood says: "There is now a very diverse range of industries from biotechnology to textiles."

Having managed this change, Wales needs a further transition: to foster an enterprise culture in which small and medium-sized businesses flourish. There are indications that this can happen. Self-employment has risen by more than a third since 1979 to 15 per cent of the workforce. Companies employing fewer than 100 people account for over 90 per cent of manufacturers. But entrepreneurs are a rare breed and, as elsewhere, many family-owned firms are content to stay the same size.

As a catalyst, a Land of Enterprise campaign was launched this year in the wake of the Wales 2010 report for the Institute of Welsh Affairs. A central objective is to raise educational and training standards. While exam results are improving, it is significant that, even at this stage of the recovery, skills shortages are starting to emerge. "Excellence in education and training are essential to Wales' success in the next century," Mr John Redwood, the Welsh Secretary, said last month. "We will earn our living more by our brains than our brawn, more by our own enterprise than by the works of government."

One work of government affecting business is the reform of local authorities, with shadow elections next May to the unitary councils which will replace the existing two-tier structure. While there is support in theory, there is less enthusiasm in practice – one council chief executive describes it as "an absolute mess." Mr Michael Rees, director in charge in Cardiff of Chesterton, the property consultancy, is among those critical of the decision to have separate authorities for the capital and Vale of Glamorgan. "The ability to deliver Cardiff as a major European capital will not be achieved without the formation of a greater Cardiff."

The reforms have reinforced pressure for an all-Wales assembly, to which the Labour party is committed. With Conservatives holding only six of the 38 parliamentary seats, an assembly is advocated as a democratic corrective, especially in view of the growth of non-elected public bodies, or quangos. The Council of Welsh Districts estimates there are nearly 350 quangos in Wales, controlling a fifth of public expenditure.

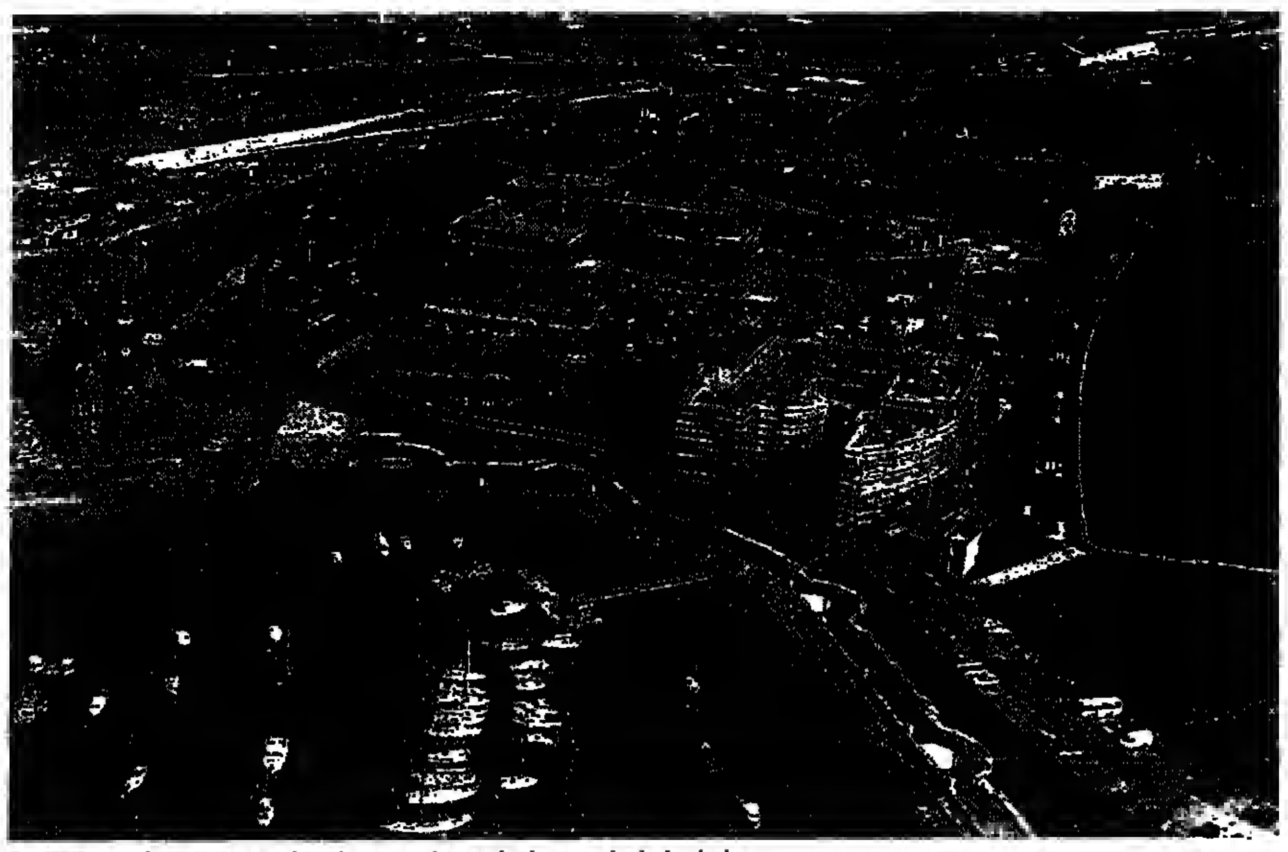
The most prominent is the Welsh Development Agency. Publicly flayed for past practices, the WDA retains much support within the business community. It is admired for its wooing of foreign investors, land reclamation and fostering of partnerships in urban renewal – the decrepit state of many Welsh towns is at last being tackled. In mid-Wales, business people this year also sprang to the defence of the Development Board for Rural Wales when its future was threatened.

The DBRW has survived, although Mr Devid Rowe-Beddoe, the WDA chairman, has also become its chairman to improve co-ordinetion. Meanwhile, he has revamped the WDA's management and decentralised the agency's structure. The aim is to improve co-operation with councils and give more support to indigenous businesses. "Small and medium-sized enterprises are our greetest potential strength for the future," he has said.

Recognition that there should be more emphasis on these businesses is echoed by the Welsh Office. One reason is that inward investment, while remaining important, is not a panacea. Successes continue – notably by Cardiff Bay in winning a Japanese and German £200m joint venture – and foreign companies ere investing in their existing Welsh plants. But parts of Weles lost competitive advantage in the government's review last year of assisted areas.

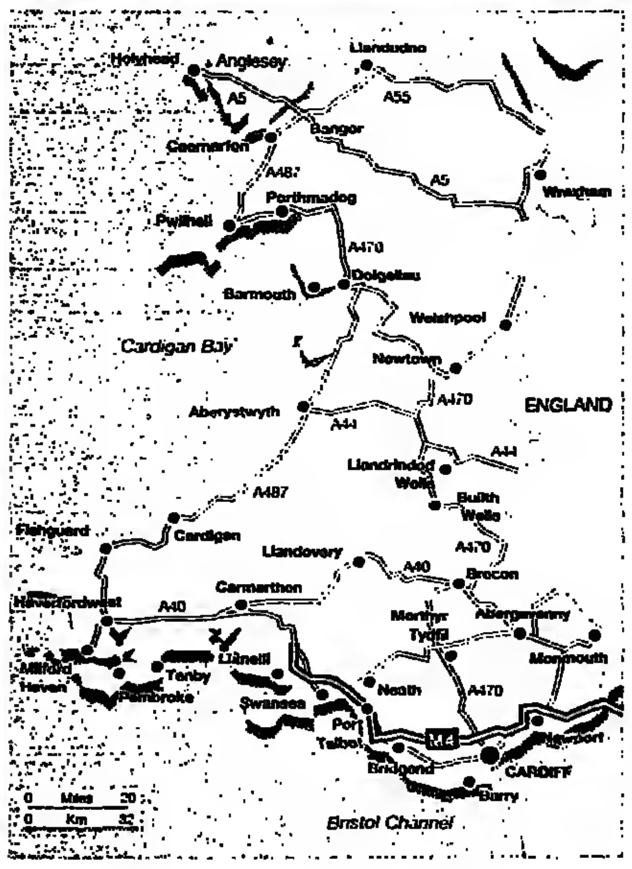
Mr Rees of Chesterton warns that Wales faces a difficult task in trying to keep up its inward investment record. He says: "Moves out of London are slowing down because of the abundance of special offers and rent-free accommodation in the south-east. The differentials between Wales and the south-east are narrowing, particularly when taking into account the Severn crossing tolls."

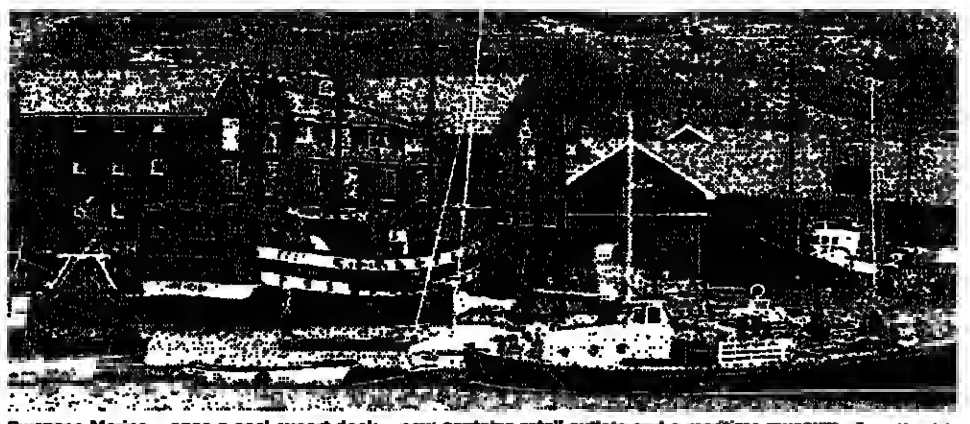
As the recovery gathers pace, the need for the second Severn bridge, now under construction, will become even more apparent in combating the peripheral view of Wales in Europe. Despite other improvements such as the imminent completion of the M4 near Swansea, and the dualling of the A55 in north Wales, weaknesses in the road, air and rail network remain. By the time the new bridge opens in 1996, Welsh enterprises will have discovered to what extent these weaknesses are further exposed by the Channel tunnel.



Cardiff Bay: work on the barrage is under way and a new business centre is developing

Ian Lawrence





Swansea Marina – once a coal export dock – now contains retail outlets and a maritime museum *Trevor Humphries*

■ NEW INDUSTRIAL SITES

A non-nuclear park

The concrete blocks of Trawafynydd nuclear power station in Gwynedd are in gaunt contrast to the surrounding beauty of Snowdonia national park. Its closure, announced in July last year, has threatened an equally gaunt future for its workforce, and for local young people who have lost a potential place to work.

Wales has had to come to terms with the rundown in its traditional industries. In Gwynedd, for example, over 15,000 people used to be employed in slate quarries; today there are only 300. It is ironic that as recent an industry as nuclear electricity should create similar difficulties. The power station was the largest local employer, with 600 staff at its peak, but by 1997 only 50 will remain for site security.

Like the heavy industries, Trawsfynydd will leave a legacy for generations – Nuclear Electric is expected shortly to announce its decommissioning strategy. While there will not be the need, as in south Wales, to repair land dereliction, what has to be ensured is that incoming industries do not damage Gwynedd's spectacular environment. Few nowadays would expect a power station to be built in a national park.

A strategy for regeneration has been devised hy South Gwynedd Partnership, which includes the county and district councils and development agencies. The region qualifies for European structural funds and has assisted area status; the partnership is also bidding for an enterprise zone and funding under the Welsh Office's strategic development scheme.

The Development Board for Rural Wales, one of the partners, is creating a landscaped 29-acre Snowdonia business park and, making a virtue out of oecessity, says the power station closure provides "a major opportunity for employers seeking rellable and responsible staff".

There are different challenges in the northern part of Gwynedd, where the dualling of the A55 road has improved the link with the M56 and Manchester airport. The Weish Office is giving strategic priority to extending the A55 across Anglesey to Holyhead, with its ferry services to Ireland.

Taking advantage of the improved route are two new husiness parks near Bangor established hy the Welsh Development Agency. Glyn Rhonwy, with 135 acres at the foot of Snowdon, has attracted the American company Euro/DPC, which makes medical diagnostic kits. Parc Menai, with 75 wooded ecres, is described by National Westminster Bank, which has a business centre there, as having "excellent communications and a superh setting."

On Parc Menai is Snowdonia Business Innovation Centre, which provides advice and support for the commercial developmeot of new products and technology. One current project is to develop a commercial kiln for converting slate into lightweight aggregate. Dr Tom Parry Jones, inventor of the breathalyser, is chairman of the centre, which is a member of the European network of over 100 Bics.

Also based at Parc Menai is Mr Hugh Edwin, the county council'e media development officer, a post which reflects a thriving film industry in north-west Wales. His office can access the British Film Commission's national database for finding locations. Sean Connery, Richard Gere and Sir Anthony Hopkins are all filming in Gwynedd this year. The making of television programmes for S4C, the Welsh language channel, has stimulated the local industry which includes Barcud, a production facilities company which has purpose-built studios in Caernarfon.

In South Wales, Cardiff Bay and its barrage have drawn most attention in the rejuvenation of land for commerce and industry. But the capital is not alone in having amhitious plans. Nearby Newport awaits a decision after a pnhlic inqniry into a proposed barrage across the river Usk. While the scheme has met with vigorous opposition because of its possible effect on river life, the intention is similarly to provide a better environment for husiness in a decayed dockland area.

The rundown docklands at Barry, sonth-west of Cardiff, are also being redeveloped by a partnership of the WDA and Associated British Ports. In March, a parallel partnership – of Vale of Glamorgan horough council, South Glamorgan county council and the WDA – launched Barry Action. This project is to improve the town centre, npgrade communications, smarten the area's appeal for tourism and aid job creation.

Making a virtue out of necessity, the board says the closure provides "a major opportunity for employers"

Swansea, the second city of Wales, already has its own barrage, across the river Tawe, and has developed a maritime qnarter around a 600-berth marina. To promote the commercial possibilities, the city bosted presentations including one at London's Ritz Hotel.

"If you do things to lift your profile, you get the City of London saying, 'What'a going on there'?" says Mr Michael Burns, economic development officer at Swansea Centre for Trade & Industry.

The city will come into further prominence next year as host of the UK year of literature and writing. The derelict Victorian Guildhall is heing restored to create a national centre of literature due to open in March. By then, the city will be benefiting from completion of the "missing link" of the M4 – the new business opportunities are to be marketed next month at Swansea Bay industry week.

In the next stage of the city's redevelopment plans, a joint venture of the city and WDA is putting in tbe infrastructure for Swansea Vale, which will become a suburb of 470 acres next to the motorway. About a quarter of the land will be for industrial and commercial use, and there is space for 1,800 homes and a golf course.

Further along the coast, and also gaining from the motorway completion, is Llanelli, where the borough council and WDA have an impressive, well-advanced regeneration programme. The town suffered when Duport steelworks closed in 1981 and 1,200 jobs were lost.

The two main aims of the partnership are to regenerate 750 acres of disused industrial land along the coast – two centuries of industrial waste and dozens of derelict sheds and factories have bad to be cleared – and to upgrade the town centre.

Over the past four years, the seasbore stretch has been transformed, with three lakes and a wildfowl and wetland centre. A "coastal village" and business parks are being created. In the town, a £20m shopping complex, daveloped by Monarch Properties, is due to open in 1996.

"in short," the partnership confidently states, "Llanelli means business."

Roland Adburgham

■ TOURISM

From slagheaps to showpieces

To suggest a holiday in industrial South Wales would have seemed an unkind joke a decade ago, despite the nearhy attractions of the Brecon Beacons and the Pembrokeshire and Gower coasts. Nowadays, a drive up the former mining valleys shows how much thc character of the area has altered in a few years.

Preconceptions of valleys acarred by slagheaps, abandoned steelworks and an air of hopelessness are soon dispelled. Over £136m has been spent on greening the countryside and developing tourist attractions, and beautiful hills and parkland now cover most of the ugly coaltip scars. There are forest walks, heritage parks and industrial and craft museums to attract the visitor.

Tbe valleys of industrial aontb Walea are joining the glories of the coastline, the mountains of the north and the green solitude of mid-Wales to embrace the tourist.

Beautiful hills and parkland now cover most of the ugly coaltip scars as the valleys of south Wales embrace the tourist

Tourism has always been an important part of the Welsh economy, but until recently it was relatively low key, fragmented and under-capitalised. It consisted mostly of traditional family summer holidays in Llandudno and Rhyl in the north or Tenby and Porthcawl in the sonth, plns hikers and others attracted to the national parks of Snowdonia, the Brecon Beacons and the Pembrokeshire coast.

Two factors have changed attitudes dramatically, however, and led to a much more coherent, structured study of the industry and how it sbould be developed.

The first has been the steady decline of traditional industries such as coalmining and steel in south Wales, agriculture in rural mid and north Wales, and more recently, defence industries and air bases in west Wales.

With a need to create jobs, the principality had to exploit its tourist assets: e beautiful countryside, historic castles, churches and Roman and Celtic antiqnities, plus a distinctive language and culture.

Tbe second trigger for reform and development is the changing holiday habits of the British. As people began to opt for the guaranteed sunshine of Spain and Greece, Wales found itself too dependent on the traditional family summer holiday. Hence, it bad to offer fresh attractions.

In its first development plan launched over five years ago, the Wales Tourist Board put up £23m of pump-priming capital, which stimulated Investment of £171m. That helped create 3,500 full-time equivalent jobs. Tourism is now an increasingly significant industry, employing 95,000 or 9 per cent of tbe workforce, and earning £1.3bn for the Welsh economy. Some 9m people visit Wales a year.

The Intention, revealed earlier tbls year in a study called Tourism 2000, is to create 10,000 more jobs directly or indirectly, turning tourism into a £2bn a year industry hy the turn of the century.

Mr Panl Lovelnck, WTB's chief executive, says: "We will target onr efforts at certaln overseas markets end at increasing tbe range of attractions for those seeking short breaks or second bolldays." Development programmes are planned for coastal resort regeneration in Tenby, Porthcawl and Llandudno; in the historic town of Caernarfon; for country holidays; customer care; and for golf, walking and cycling holldays.

A prime requirement, particularly in the coastal areas most vulnerable to changing holiday patterns, is to attract visitors more evenly throughout the year. There are indications this is beginning to happen. In general, the "shonlder" months of May-June and September-October have seen a

Continued on next page

■ CARDIFF PROPERTY

The bay gets busy

Delight – mixed with some relief – swept through the Cardiff Bay Development Corporation in July wben Nippoo Electric Glass of Japan and Scbott Glaswerke of Germany announced they would locate a 500,000 sq ft new plant costing £200m near the city's waterfront.

Delight that one of Britain's biggest inward investment schemes this year, creating up to 750 jobs over five years in a high technology industry making glass components for the television industry, was coming to the area; relief that after a long gap a "headline" scheme had been attracted against international competition, possibly opening the way for other companies to follow.

Cardiff Bay's higgest successes to date – headquarters buildings for NCM, a credit insurer, and for the Weisb Health Common Services Agency – were announced in 1992. Botb buildings will be occupied shortly. Though there have been other developments, including a relocation hy Axa, the French insurance group, to a 44,000 sq ft building, Meridian Gate, on the fringes of the area, a new supermarket hy Tesco on the Penarth side of tha bay, and Techniquest, a £7.5m science centre due to open next year, the weak economic environment of the past few years has put a brake on the hoped-for relocations.

Yet the measured pace at which the huge area – a total of 2,700 acres, equivalent to one-sixth the size of Cardiff itself – has been attracting development, may turn out to be an advantage. In London docklands development took place ahead of infrastructure, a mistake which Cardiff, with its ambitious target of attracting £2.5bn over a 10-15 year timescale, has been able to avoid.

The centrepiece – a two-thirds of a mile long barrage which will impound a 500-acre lake and help to creata an eight-mile waterfront – was started in February, and is expected to be completed in 1998. The peripheral distributor road which will take traffic through the bay has heen largely completed from tbe west and will emerge from a tunnel section into the heart of the bay area hy the end of the year. Another section taking traffic east to connect with the M4 should be completed before the end of the decade.

Other parts of the jigsaw, creating a mixed-use development in an area which offers outstanding waterfront opportunities and also takes in Cardiff's docklands and older industrial areas, are being put in place. On the site of former car scrapyards Wilson Bowden, the Midlands developer, plans a £50m retail and leisure scheme, including £10m worth of infrastructure; TBI, e local development joint venture, has recently started the first phase of a 140,000 sq ft speculative industrial scheme; housing schemes, including the provision of some social housing and involving local and national groups such as Beazer, Wimpey and Barratt are going ahead at various sites; and Associated British Ports' property arm, Grosvenor Waterside, is hoping to put a 100,000 sq ft new office development, Scott Harbour, out to tender shortly, for a 1995 start. The development – for which at least a partial pre-let is being sought – will be available to a single occupier, or split into up to five units of 10,000 sq ft or more.

"Cardiff needs a new business quarter. The city centre is full and the bay is already proving attractive to tenants"

The shape of the area around the old Pier Head, now called the inner harhour, is also becoming clear. Next to ABP's south Wales docks office a new hotel is planned, together with an opera house, the design for which is now being selected from a shortlist of eight. It is hoped the opening next year of a silver service Harry Ramsden fish restaurant will encourage the growth of a food quarter like those in Boston and Baltimore in the US.

An important issue, however, is the impact that work on this scale is going to have on the rest of Cardiff, and in particular whether the redeveloped bay will be a natural graft or present the existing city centre with a damaging rival.

Demand for offices in Cardiff – the likely main determinant of the success or otherwise of the bay – has averaged in recent years around 200,000 sq ft a year. Though there is a substantial surplus of space in central Cardiff at present, much of it is in secondary locations and not high quality. Room for further expansion in the city centre is limited.

Howaver, demand remains relatively weak, and because of a narrowing of the once substantial gap between London and Cardiff rents – and an overhang of space in other provincial cities – relocations are unlikely in the medium term to provide a significant boost to indigenous demand.

Nevertheless, the concept is right, says Mr Peter Kelly, regional chairman of property agents, DTZ Dehenham Thorpe. "Cardiff needs a new business quarter. The city centre is full and the bay is already proving attractiva to tenants."

Whether tha two areas can grow together heneficially is going to depend also on the solution of transport problems. A big growth in office development in the bay area – soon likely to be employing more than 4,500 office workers – could lead to serious traffic congestioo if adequate public transport is not put in place.

Various studies have pointed to the need for a light rail system whicb could be linked to the extensive Cardiff suburban and valleys rail network. Decisions have yet to be taken, however, in part because of the lack of an overall transport planning authority for the region and the likely cost.

There is another physical constraint which the bay planners have been seeking to overcome. Cardiff is bisected by the main London railway line, to the south of which the bay area lies. There are plans to give the city's main station a new southerly entrance and to create a large new square – the Bridge area – which would link the two parts of the city but design of this scheme has proved difficult. Delays also seem likely on another city-bay connector, the broad evenue to run both sides of the rail link into the docks.

Nevertheless, the Cardiff bay authorities are confident the problems can be overcome, and a deadline may concentrate their minds. The corporation is due to wind up at the end of 1999, but, perhaps even more importantly March 1 is pencilled in as the opening date for the new opera house.

For this to be a truly gala occasion, a grand entrance and and e matching backdrop will need to be in evidence.

Rhys David

■ THE LABOUR MARKET

Battle of the sexes

When Admiral Insurance, which specialises in over-the-telephone motor policies, set up in Cardiff in January 1993, it was uncertain if it could recruit the people it needed.

There were many positive factors: tha transport links with London, an enthusiastic county council, cheap and available office space, and grant support of £1m.

A stumbling block was the difficulty of persuading managers to relocate because of the dwindling disparity in house prices between the south-east and Wales, and a shortage of executive houses (a frequent complaint by relocating companies). But the big imponderabla, because it was hard to research in advance, was the quality of the local labour.

After 19 months, Mr David Stevens, Admiral's marketing manager, gives his verdict. "We've been very pleased with the quality of the labour force, notably their reliability and stability. The level of turnover of staff is much lower, and the staff's longer-term commitment to the company is higher, than we would have experienced in the south-east."

In manufacturing industry, Mr Alfred Gooding, head of Gooding Group, is an equally keen advocate of the virtues of Welsh workers, which is one reason why his new joint venture with Grundig, the Germany consumer electronics company, is sited at Llantrisant near Cardiff. Many other employers in Wales talk of the flexihility end reliability of their staff. Last year, days lost per 1,000 employees due to industrial action were 21, compared with a UK average of 30.

However, while unemployment in Wales has been reduced to about the UK average, this disguises higher levels of male unemployment. In pockets this is severe, with consequent social problems.

A survey last year of a randomly-chosen street on a housing estate in Blaenan Gwent found only 22 adults were working and 60 were out of work. Disability or long-term illness was common. One man had been out of work for 17 years and several for seven to 10 years. Of those in work, many were on low incomes.

The survey was published in "The politics of poverty in Bleenau Gwent", by Llew Smith, the local Labour MP, Lynda Branshury and Sarah Gillam. The authors remarked: "An overwhelming number of households complained about being in debt and failing to manage on benefit levels."

In Wales as a whole, gross earnings of full-time employees last year averaged £281 a week, only 89 per cent of the figure for Britain. For workers to raise their incomes, there is an obvious need for higher skills. For companies, a shortage of skilled labour is seen as a constraint on expansion as the recovery gathers pace.

In one initiative, the Welsh Office announced in June it would fund a £3.6m scheme to support 550 engineering apprenticeships, provide engineering equipment for colleges, and instruct workplace trainers. Sir Wyn Roberts, then Welsh minister, commented: "Manufacturing is a key sector in the Welsh economy, but a common theme in my discussions with industrialists is the shortage of trained people at craft and technician levels."

Female students achieve better results than males, but "Wales has a male-dominated culture"

The need is also for better school results. Welsh boys have lagged behind their English and, in particular, Northern Irish and Scottish counterparts in gaining A-levels (or the equivalent). This year, the chief inspector of schools in Wales reported that although there had been "a steady improvement in pupils' performance within GCSE at every level ... much under-expectation of pupils remains."

There has been a big rise in the numbers of those in Wales who go on to further education, from 36 per cent in 1988-89 to 53 per cent. However, female students – who achieve better school results than males – also outnumber them in further education by 20 per cent.

In spite of this, fewer women are economically active than in other parts of Britain. Yet the proportion of women in work has risen sharply in recent years, partly because of part-time working. A survey by the Welsh training and enterprise councils, published this year, showed 57 per cent of employees were male and 43 per cent female, but in small firms the balance was almost equal. Nearly three times as many women as men worked part-time.

Among the full-time workers, female weekly earnings in Wales were on average 27 per cent below male earnings in 1992. "People and Prosperity, a Challenge to Wales", publisbed last November by the Welsh Office, pointed out that both men and women tended to follow stereotyped vocational routes. "Women are mnch more likely than men to be in unskilled and semi-skilled jobs, and in jobs without long-term career prospects," it said.

"They are in turn under-represented at the senior levels of industry, public service and the professions as compared with UK averages." The report added: "Employers in Wales are losing by this waste of resources."

One determined attempt to reduce this waste is Chwarae Teg, the women's fair play organisation launched in 1992. This year, it received Welsh Office funding of £50,000 with a commitment for two more years. Chwarae Teg, which has become a non-profitmaking company, aims to encourage good practice in training, flexible working and better childcare to enable women to return to work or training. It has become a role model for similar initiatives in England.

Women in Enterprise, en independent networking support group, was launched in 1990 to raise the stetus of women in business and tha professions. It has corporate and individual members and does not exclude men – "We do not believe it is realistic to survive in a one-gender vacuum," says Ms Jeannie Hainsworth Lamb, the chairman. But she points out that Wales still has a male-dominated culture. Women are under pressure to conform to domestic roles and find it hard to be promoted.

"Lip service is paid to equal opportunities," she says, "but what is wanted is more practical help."

Roland Adburgham

From slagheaps to showpieces

Continued from previous page

slow but steady growth from second holidays and ehort breaks. In recent years, there has been a decline in visitors in the peak holiday months, together with a trend towards later booking and discounting.

However, this year's fine weather and tha economic npturn have brought an increase in hotel occupancy figures over tha very poor 1993 season. For example, Mr George Pearsall, proprietor of the Plas Morfa hotel on the coast between Aberystwyth and Cardigan, has seen a rise of 25 per cent in occupancy rates so far this year.

Another major requirement is to attract visitors who spend more money in the principality. This is being achieved by targeting overseas visitors, davaloping areas of tourism such as golf and yachting, and by improving hotel accommodation and car parking facilities. There are relatively few top class hotels in Wales, but the standard of accommodation has been improved greatly by the introduction of a quality grading system.

Wales has fared relatively badly in attracting foreign visitors, with under 4 per cent of the UK total compared with 9.5 per cent for Scotland, and efforts are being made to improve this. Two years ago the WTB was allowed to market itself overseas separately from the British Tourist Authority, something Scotland has done for a decade.

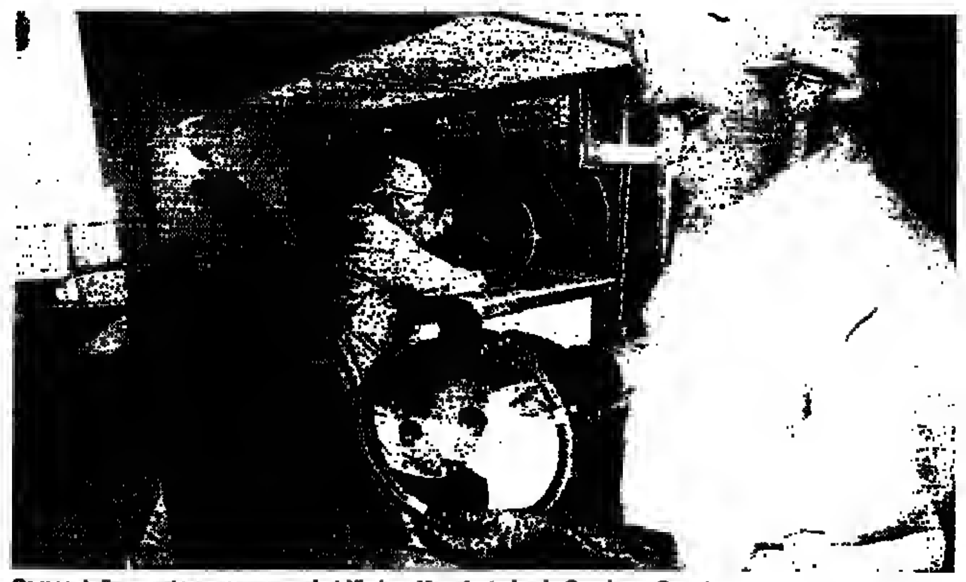
The key target market is the US, and a network of 1,500 travel agents has been built up in east and west coast cities to promote Wales as part of a UK tour or as a destination in its own right. Over 300 US travel agents have been brought to Wales for training visits and they receiva regular updates on new attractions and facilities. Seminars on tourism in Wales are being held throughout the US next month.

Other markete being researched are Australia, Canada, Germany, the Netherlands, France, Ireland and Japan. (There appeared to be a big increase in Dutch, German and French car numberplates in the byways of rural mid-Wales this summer.)

Over the next three years the WTB plans to double its overseas marketing budget from £750,000 to £1.5m. Mr Loveluck expects overseas visitors to increase by 6 per cent compared with a 2.5 per cent rise in UK tourists.

It is accepted that tourism development must not be allowed to harm the environment or the heritage that draws visitors to Wales. But even this can be controversial territory. Plans to clear and green some of the remaining slagheaps around Ebbw Vale are now being criticised for destroying the country's industrial heritage.

Richard Evans



Compact disc masters are prepared at Nimbus Manufacturing in Cwmbran, Gwent — Trevor Humphries

Roland Adburgham looks at the industrial base

Investors still keen

For Wales, one of the coups this summer was the announcement that Tech-Board, a £40m start-up UK company, would site a hardboard mill, employing 200 people, near Ebbw Vale in Gwent.

Mr Malcolm Graham, Tech-Board's chief executive, explained why. "The region's strong manufacturing heritage and the availability of a quality, highly motivated workforce played a major part in our decision," he said. "The excellent communications with the rest of the UK and continental Europe, via the Heads of the Valleys road and the M4, were also important."

Other key factors, he said, were the support of the Welsh Office, local autborities and the Welsh Development Agency. British Coal Enterprise, the job creation offshoot, put in £250,000 of the venture capital.

Similar stories from other companies explain why Wales continues to attract manufacturing investment. The combination of welcoming local authorities, active development agencies and the availability of grants helped Wales to be the only UK region to increase manufacturing's share of gross domestic product between 1980 and 1992.

Inward investment has played a crucial part in enabling Wales to retain a manufacturing base, despite the contraction of its traditional heavy industries. There are about 350 overseas-owned manufacturing plants in Wales, nearly 100 more than in 1985, and employment by these has risen by 50 per cent.

While competition to win such projects has become tongher, inward investment has not stopped. In May, for example, the Canadian company Fisher Gauge opened a European headqoarters at Welshpool, Powys, to make small die-cast components. Mr Bill Fisher, president, said it chose Welshpool because of "its good transportation links and good working environments". In July, Nippon Electric Glass and Schott Glaswerke said it would site a £200m manufacturing plant at Cardiff Bay.

Fears that the world recession would make Wales vulnerable to cutbacks of "branch-plants" appear ovarsteted. There has been retrenchment: Wella, the German group, is closing its Ondawel hair cosmetics unit at Pontyclun, near Cardiff, with the loss of 150 jobs. Compton Webb, a uniforms maker with several UK plants, shut its Newport factory with 230 redundancies to reduce capacity. The closure this year of BP Chemicals' ethylene cracker plant at Baglan Bay meant 600 jobs were lost.

However, non-Welsh companies are continuing to invest in their businesses in Wales. This spring, Sony opened a frame-making operation at its Bridgend television plant, increasing its Welsh workforce to about 2,700. Another Japanese company, Sharp, is investing £5.5m in its microwave oven plant at Wrexham, Clwyd.

A criticism of many inward investments has been that they have provided only low-paid assemhly-type work. But Mr David Rowe-Beddoe, chairman of the Welsh Development Agency, comments: "Overseas companies, once established, are becoming more committed to Wales, viewing the principality as the best location for European headquarters, research and development and manufacturing. This is, in turn, improving both the number and the quality of jobs."

Such projects this year have included a £2m European research and development centre for Calsonic International, the Japanese-owned radiator company, at Llanelli. Automotive components have become one of the principality's key industries, ranging geographically from Ford's engine plant at Bridgend in south Wales to Toyota's engine plant on Deeside, north Wales. It is estimated about 20,000 are employed in the sector.

It is often overlooked that the steel industry, where there has been huge investment, remains one of the biggest employers – British Steel has a workforce of more than 14,000 in Wales. Aerospace has also become a sizeable industry. Its labour force is over 11,000 people, spurred recently by the British Airways £75m maintenance base at Cardiff-Wales airport and £23m avionic component repair business at Llantrisant.

In a different sector, an interesting turnround has been achieved at CP Pharmaceuticals, wbicb a managemeot buy-in team acquired last year from Fisons. Mr Andrew Coveney, finance director, says the company – based at Wrexham and making hospital and generic products – had been under threat of closure after multi-million pound losses.

"Since then, we have gone from strength to strength, having changed from being an outpost of a big plc to become a medium-sized, thriving, profitable and totally independent company." The 194 jobs were retained and 20 more people have since been recruited.

Aoother company in a growth industry is Nimbus Manufacturing at Cwmbran, Gwent. It made the first compact disc in Britain 10 years ago and now produces over 35m annually. It is investing £2.5m in its plant, which employs 300 people, this year and sees immense potential for CD-ROMs, the discs which store text, video, sound and graphics. Mr Howard Nash, managing director, describes Cwmbran as a good location for its road distribution – though, like other south Wales businessmen, he is concerned at tbe possibility of future motorway tolls.

Wind farms are another novel – but cootroversial – industry, with a belated recognition that there needs to be tight control over their siting. Europe's largest wind farm, with 103 turbines, is at Llandinam, Montgomeryshire.

Among investments this year by indigenous businesses has been that by Control Techniques, a leading producer of electronic drives and controls. At Newtown in mid-Wales, it is spending £8.5m to expand its European headquarters, R&D and production. Stephens & George, which prints about 100 magazine titles, is investing £3.7m at its Merthyr Tydfil plant. Halo Foods, at Tywyo, Gwynedd, has a £3.25m expansion to meet demand for its Halo chocolate snack bar.

There are signs, as the recovery gains ground, of increasing activity. The veoture capital group 3i put £8m into 17 Welsh compaoies in the year to March. It reports a "noticeable increase in the level of growth of capital funding, as businesses moved to strengthen their balance sheets to take advantage of post-recession opportunities".

Made, the valleys enterprise agency, advised in 1993-94 on 182 business plans with an overall funding need of £10.5m, three times the amount sought in the previous year. As big businesses continue to reduce their workforces, mucb will depend on the growth of such smaller, indigenous businesses.

One need is for more component suppliers and the Source Wales programme, run by the WDA, encourages links between companies. Another scheme, organised by the Welsh Office and Wales Quality Centre (n non-profitmaking company to promote quality improvement), is "Inside Welsh Industry". This is a series of visits to selected companies to enable business people to learn from their techniques and tecbnologies.

To promote technology transfer, Transtech International fair, organised by the WDA, is to be held in Cardiff in early December. It will enabla academic and research organisations to meet companies so as to encourage partnerships for product development.

Roland Adburgham on efforts to encourage enterprise

Springboard for prosperity

Explaining why the Wales 2010 report, commissioned by the Institute of Welsh Affairs, had advocated a "Wales – Land of Enterprise" campaign, Dr Gareth Jones says: "We felt it critically important to create a positive view of enterprise."

The report, produced last year by a group chaired by Dr Jones, set out to identify how Wales could become one of the most prosperous regions of Europe by 2010. It advocated "keynote years" with themes to stimulate progress towards this target – beginning with the Land of Enterprise.

The campaign has been slow to gain momentum – a launch conference originally proposed for May will take place next month – but Dr Jones stresses it is a springboard for a long-term plan to change the image of Wales over the next decade.

Outside Wales, he says, there remains a perception problem. "There is still an image of miners going home from the coal-pit. There are still elements of churches, chapels, harps and singing."

Within Wales, Dr Jones states, "our aims are the creation of an enterprise culture, to encourage innovation and technology, and to improve education and training. But it is a mammoth task to try to change the culture of a nation stuck in a pattern for 200 years – you can't change it overnight or in a single year."

The need, he emphasises, is clear. "Wales has the lowest regional income of any region and it has not advanced because the emphasis has been on 'a job is a job is a job'. We want a highly educated labour force which will have higher added value."

He acknowledges the difficulties in convincing people of the campaign's merits. "Always – particularly in Wales – there is a certain amount of scepticism. It is quite an ambition – but what we are doing has widespread support. We were very concerned to ensure we involved organisations which already existed as part of the process – not to go off on our own tack."

In consequence, a broadly-based, if unwieldy, steering group was set up with over 20 members drawn from leading organisations in the public and private sectors. Mr John Webb, president of Wales Chamber of Commerce and Industry, chairs it.

The Wales 2010 report concluded that growth in the Welsh economy would come increasingly from smaller companies, and to achieve this growth there needed to be a climate in Wales that was supportive of enterprise. An emphasis of the campaign, Dr Jones states, is to encourage small and medium-sized companies not only to grow but to remain in Wales. "There are so many examples of businesses being started and then 'sold over the bridge'," he says, referring to the Severn crossing between Wales and England.

There is general concern in Wales at ownership of companies moving outside the principality. Price Waterhouse Wales points out that until Biotrace International of Bridgend floated last November, and the reverse takeover in March of the property company Markheath by TBI, based at St Mellons, five years had elapsed since Wales had had a new quoted company.

Dr Owen Jones, who chaired the enterprise taskforce for Wales 2010, comments that, with inward investment likely to play a less vital role in future, "it is most important to have more companies with their corporate headquarters and decision-making in Wales".

A central objective of the campaign is to set up an enterprise foundation. Although this would require substantial public sector funding to get it off the ground, the foundation would be intended ultimately to make Wales less dependent on public sector leadership.

Dr Gareth Jones adds: "We want to get the young people of Wales by 2010 to say: 'We want to set up our own business.' Attitudes in schools have got to change." The conference, to be held in Cardiff on October 20, will especially target the 16-25 age group with seminars run by people who have set up their own businesses. Training and enterprise councils in south Wales will participate to promote the Investors in People programme.

The effective delivery of advice, whether to young people setting up businesses or to established companies, is an important factor in encouraging enterprise. To simplify matters, the Department of Trade & Industry has been encouraging one-stop shops in England called Business Links, but the Welsh Office is more guarded about this concept.

John Redwood: wants a new generation of mad inventors and great entrepreneurs

Although the Welsh Office promises start-up funding, it has warned that additional tiers of administration and separate legal entities should not be created – nor should there be new premises. Local authorities, Tecs and others have been invited to submit proposals by the end of this month. "I only want a response if you can offer a better service with less confusion and bureaucracy," Mr John Redwood, Welsh Secretary, told them.

What has been described as a "one-stop shop for engineering", and which was welcomed by Mr Redwood, is the Engineering Centre for Wales. This was set up in March – with pump priming from the Welsh Office, Welsh Development Agency, Engineering Council and Royal Academy of Engineering – to enhance the quality of the industry and encourage young people to become engineers.

"We need a new generation of mad inventors and great entrepreneurs," Mr Redwood said at the centre's launch in a speech recalling Brunel's Great Western railway and Stephenson's Rocket. Neither engineer was Welsh, but that young Welsh people can show entrepreneurial spirit was shown in July, when a team of 11 girls at a Barry comprehensive school won the UK Young Enterprise competition, sponsored by Midland Bank.

The company they had formed concerns a faster means of communications than the railways – it makes computer mouse mats.

■ BUSINESS AND THE WELSH

The élite from outside

One of the things which puzzles visitors to Wales is why so few people whom they meet running small businesses or tourist facilities are Welsh. The fact that newcomers have so evidently prospered in Wales in recent years suggests the opportunities are there, but the low profile of the Welsh, and in particular the country's 500,000 Welsh speakers, suggests the locals are not taking advantage of them.

This apparent lack of entrepreneurialism – in both language communities – has been the subject of academic research in recent years and is behind the formation of Menter a Busnes (Enterprise and Business) which has a brief to help Welsh speakers to develop their economic potential and so bring renewed economic vitality to parts of Wales where unemployment and migration of young people remain high.

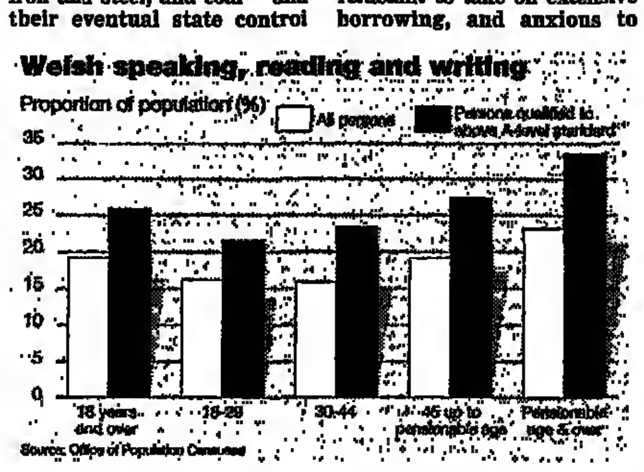
Their Protestant background should perhaps have predisposed the Welsh to enterprise, but historians believe other, less favourable influences have been at work. Though Wales was among the most industrialised parts of the world in the 18th and 19th centuries, the pattern of land ownership resulted in a largely non-Welsh élite controlling, and deriving most of the benefits from, mineral extraction. This, Mr Merfyn Jones of University of Wales, Bangor, points out, prevented the emergence of an indigenous entrepreneurial class.

Social mobility among Welsh people has until comparatively recently been associated not with business but with learning – education, the law, medicine and the church. The dominance of two industries in the Welsh economy – iron and steel, and coal – and their eventual state control after the war added a further dimension, encouraging many Welsh people to see the public sector as offering the best career prospects.

M a B has done its own probing which has analysed this legacy. Its study of 80 Welsh businesses – 40 run by Welsh-speakers and 20 each by English-speaking Welsh people and newcomers, spread across four small towns – has found significant differences in the types of business in which the groups are represented and, indeed, in the personalities of those running them, with the biggest differences occurring between the Welsh-speakers and the newcomers.

On the whole, Welsh-speakers tended to be traditional in their approach to business, reluctant to take on extensive borrowing, and anxious to keep activities within safe and stable boundaries. Product ranges were conservative, with changes often customer-driven, and prices were set in line with competitors. Because customers were often known, there was a willingness to advance credit.

Welsh speaking, reading and writing



Source: Office of Population Censuses

The newcomers, partly because many were starting up in a new area where they had few contacts, found they had to be more innovative. This was manifested in a willingness to borrow, a reluctance to extend credit, and a much more aggressive approach to marketing and product pricing.

The Welsh-speakers were also less self-confident and more anxious, and tended to see their business in subjective terms. "Non-Welsh speakers feel that it is possible to improve their business by adding to their education or by going on courses. Welsh speakers blame the weaknesses of the business on their own personal shortcomings," Mr Hywel Evans, director of M a B, observes.

With this evidence to hand and using detailed census information on Welsh job characteristics, M a B has devised programmes to change attitudes and get more Welsh people to think about going into business. After only five years, there are signs that subtle changes are being achieved.

The Welsh language broadcast media have been encouraged to feature business more prominently in their programmes, and by focusing on successes to create positive role models as an antidote to the previously negative images of business and business people.

Welsh language course material suitable for use from primary through to further education has been devised, and community groups have been encouraged through a business game, Chwylbrol to make business issues a natural topic of discussion.

The signs, according to Professor Phil Cooke, of University of Wales, Cardiff, are that a turnround in attitudes has begun. Studies undertaken for M a B in 1993 by Beaufort Research showed Welsh speakers had become more aware of successful business rôle models and thought of Wales more positively as a business location. In addition, the Welsh language had come to be seen by both language groups as offering business advantages.

Other positive signs have emerged, including greater interest among Welsh businessmen and women in banding together to exploit opportunities. In Gwynedd the Welsh-language market has created a strong print sector but this was under threat from English printers willing to compete for local – and even Welsh language – trade. Rather than retreat, as might have happened in the past, the Welsh companies are coming together to mount their own joint marketing venture.

Another indication of the new self-confidence of Welsh speakers in business has been the emergence in Cardiff of a business group working in professional services. The group, Cwlwm Busnes Caerdydd a'r Cylch, has a mailing list of more than 300 members who meet regularly throughout the year.

One of the prime movers, Mr Dafydd Hampson-Jones, director of Celtic Henderson Crosthwaite in Cardiff, part of Bank of Yokohama-owned Guinness Mahon, offers investment advice through the medium of Welsh – making it necessary to invent a new range of terms (such as breinGyfrannau di-fuddran or zero dividend preference shares).

He recently placed what is probably the first bilingual tombstone advertisement for a share placing involving a north Wales TV production company, and estimates 25 per cent of his company's private client business is conducted through the medium of Welsh.

Rhys David

Roland Adburgham reports on the partnership approach

New life in the valleys

The Victorian edifice, inscribed "Messrs Nixons' Workmen's Institute, Library & Public Hall", has seen better days. The building, in Mountain Ash, Mid-Glamorgan, is derelict and its once-handsome yellow and red brick frontage is sprouting weeds.

Mountain Ash is in Cynon Valley, in the heart of Mid Glamorgan and at the heart of attempts to revitalise the south Wales valleys. Once there were 50 collieries in Cynon Valley alone and there was a population of 100,000. Today, the population is 67,000 and male unemployment is about 30 per cent. This year, British Coal stopped production at Tower, its last deep mine in south Wales, at the northern end of the valley.

Nixons typifies the challenge: it ran one of the collieries near Mountain Ash. Though the pit closed more than 40 years ago, its black scars remained until recently. Today, the memory of Nixons is being consigned to the past: on the pit's reclaimed land, there is the Cwm Cynon business centre.

This flagship centre, opened last year on a 60-acre development site and now fully let, symbolises the efforts being made to revitalise the south Wales valleys.

It is one result of a joint venture, launched in 1991, of the borough council, county council and Welsh Development Agency. In the wake of the Tower closure, the WDA investment in the venture has been increased to £28m over the next two years.

As elsewhere in the valleys, a partnership approach is seen as the best means of co-ordinating measures to repair the damage to the environment, regenerate the towns and lever in private capital to create jobs.

At Merthyr Tydfil, for example, a joint venture includes the borough council, Mid Glamorgan county council and WDA in association with Merthyr Business Forum. To encourage the growth of local companies, a business centre was opened last November. The partnership has come up with a scheme to develop five key sites which would be linked with each other and the town centre by monorail, to help counter the drift away of retail spending.

In Gwent, the Victoria Partnership – formed by the WDA, Blaenau Gwent council and the county council – is transforming 80 acres of the Ebbw Vale garden festival into an urban village and, it is hoped, eventually local employment for 1,100 people. Many of the festival features are being retained, including the wetlands and woodland areas.

"We are still getting 100,000 visitors a year and the reaction has been excellent – that they have not returned to find a derelict site," says Mr Alan Nicoll, of the WDA and head of the partnership. The target year for completion is 2000 and all 50 of the houses in the first phase have sold. Redrow Homes is the lead developer for the second phase of the village centre, which will have about 200 houses. "The scheme is now seen by people as a success, and people want to jump on the back of success," Mr Nicoll says.

Tower Colliery in Cynon Valley — Ashley Ashwood

Also in Gwent is Tredegar Action, a partnership of the WDA, Blaenau Gwent borough council and county council, which involves a £3m refurbishment of the shopping centre by TBI, the Welsh-based property developer.

In another town regeneration scheme, the Land Authority for Wales has signed a £20m contract with Boots Properties to transform the shopping centre of Caerphilly in the southern part of Rhymney Valley. It took seven years for the authority, which assembles difficult sites for development, to unravel the complex land ownerships.

Mr Ian MacVicar, Rhymney Valley's economic development officer, says: "What we are finding is that the valleys as a whole are now regarded as a place where industry can prosper. The old problems of poor transport and the legacy of the industrial revolution are largely things of the past."

Visitors to the valleys cannot but be unaware of the land reclamation, urban renewal and road improvements (the Welsh Office is giving a high priority to the dualling of the A465 Heads of the Valleys road, which will speed links with the English Midlands.) The need is obvious – a decayed environment is only a mask hiding deeper economic and social problems.

The woe-begone appearance of Mountain Ash is not untypical. Old-fashioned shops, with such names as Plain & Fancy, Home Comforts and Rita's Fashions, are next to estate agencies offering terraced cottages for as little as £20,000. Though the valley's employers include Hitachi, AB Electronics, Pirelli and Gooding Sanken, 42 per cent of the workforce are employed elsewhere.

To widen the industrial base, the Cynon Valley partnership hopes to attract 25 new businesses by 1998, and to set up 200 local businesses. Last year, a technology training centre

Continued on next page

Rhys David charts the success story of community-based enterprises

New starts, survivors, MBOs

Mrs Alison Knight, a ceramic artist, found herself becoming a small businesswoman when she needed factory floorspace to lay out the tiles she had agreed to make for an architect working on a pop star's swimming pool. The contract fall through, but aftar discussions with the council covaring the Ystradgynlais area, north-east of Swansea, she decided to start up on her own to make ceramic products.

Six years and numarous business courses later, she has a projected turnover this year of more than £300,000, and a staff of 15. Her husband has joined her to help run the business, and the factory is being purchased. The outlets for her product – a range of perfumed pomanders – have expanded from craft shops in tourist centres to some of the biggest high street ontlets, including the Body Shop, Boots, and from next year Marks & Spencar, with mail order also being added.

Mrs Knight's company, Alexander Ceramics, is one of a oumber of success stories in a part of Britain which – admittedly from a low base – has bucked the trend of declining maoufacturing employment.

New starts, re-starts, axpansion echemes and management buy-outs – some involving incomers and others local people – have made it possible for employment to grow in the decade since 1981 by just under 19 per cent. The population of the area is now back over 200,000, reversing 100 years of decline.

The attractions of mid-Wales to the independently-minded, keen to start up on their own are obvious, but the challenges of operating from the area have meant that only those with determination have survived.

At Alexander Ceramics,

The attractions are obvious, but only those with determination have survived

turnover in the first year was a mere £6,000 and just double that in year two. The product line had to be pruned and effort concentrated on smaller items – ceramic shells, fish and farmyard animals – before growth really began, and as Mrs Knight points out, she has had to be involved as owner-proprietor in every aspect of running the business, from design through marketing to cleaning. Staff have had to be flexible, hand-painting her range of figures one moment, packaging them the next.

With the exception of modest grants and loans from the local council and the Development Board for Rural Wales (DBRW), finance has so far been generated internally. The company is now preparing to scale up its operations, introdocing products using non-ceramic materials, meeting bigger customsr orders and servicing overseas markets.

Several miles away at Abercraf, Mr Peter Taplow and his partner, Mr Nigel Bruce, are operating at a different end of the scale – making a success of their management buy-out of the remnants of what was until 20 years ago a substantial part of Britain's antomotive instrumentation industry.

Caerhont Automotive Instruments was established in the village of the same name, near Abercraf, to carry on the manufacture of automotive instruments on a much smaller scale after Lucas, the former owners, had decided on a new product line – wire harnesses – for the former Smiths Industries plant it acquired in the early 1960s in oearby Ystradgynlais.

By the end of the 1980s ownership of the Caerbont factory had passed into the hands of German company, VDO, which had decided to move into the UK to supply the new Japanese car plants then being built.

When, after a change of sourcing strategy, VDO decided in April last year to close the surviving Caerbont plant – at that stage down to a workforce of 100 – Mr Taplow persuaded the company it would he less costly to sell it to him and his partner for a total of £250,000.

The partners' first stop was the DBRW which paid for a feasibility study by Tonche Ross in Cardiff. 3i's Cardiff office eventually provided 25 per cent of the capital with a mixture of equity and mezzanine finance, but with the big banks and other financial institutions less than keen, the two partners had to find tha remaining finance themselves.

So far, the gamble is working. Caerboot supplies the spares market for the British instruments once fitted to all UK-made cars, as well as original equipment for Leyland Trucks, Land-Rover Defenders and LDV, tha vans buy-out from Leyland Daf Trucks. (It also has a number of interesting niche markets, including one supplying the original, large-size, Austin Mini speedometer for retrofitting by Japanese enthusiasts into new Minis).

The company is now making a profit on a turnover of more than £6m and has a strong current order book and sales well ahead of plan. Employment is up to 130 people from 105, investment is planned in research and development, new products are being introduced, engineers are being hired, and a modest drive will be made into export markets.

The challeoges faced by Caerhont and Alexander Ceramics are those of entrepreneurs everywhere. High interest charges have (temporarily)

Alison Knight, with earthenware for the Christmas market Trevor Humphries

ceased to he a concern hut sceptical banks, made cautious by the lending disasters of the 1980s and focused on security, are still a worry.

For both companies the support given by the DBRW has been important, a point also made by other companies moving into the area, such as Beacon Foods – which in less than two years has grown to supply e total of more than 5 tonnes a week of puréed and peeled garlic, ginger and other products to food manufacturers and restaurants from a factory in Brecon – and Brook Thompson, which has been supplying generating equipmeot for the plant hire industry, also from Brecon, since 1979.

For many companies uncertainty over DBRW's remit has, therefore, been a cause of concern. Under plans announced by Mr John Redwood, the Welsh Secretary, the board is retaining its promotional and development role but handing over its grant-giving functions to local authorities. A new grants administratioo structure has yet to be put in place, however, causing some businesses to put expansion plans on hold.

The prohlems are being resolved but it is a reminder thet confidence can be fragile. The concerns of businesses in the aree ere important, too, because of the continuing size of the task in mid-Wales. Most of the successes have been in the eastern part of the region, closest to the English border, but bigh unemployment still affects the western parts of the territory, and in south Snowdonia a hig gap in the local economy will be created by the closure of tbe Trawsfynydd nuclear power station.

More entrepreneurs will have to be encouraged to set up or expand businesses in these areas if the board's objective of hringing the region up to European Union levels of prosperity are to be realised.

The valleys

Continued from previous page

was opened with over 300 places. At the southern end of the valley and close to the M4, Navigatioo Park, a 15-acre business site, is being developed. Other money is going on land reclamation, tree planting, refurbishing the housing stock and improving the valley's principal town, Aberdare (where Grant Thornton, the accountancy firm, has been asked to investigate a controversial land deal).

"Wa're keen to improve the built environment quickly as quality sells," says Mr Andrew Dakin, the WDA project director. "We are taking a holistic view on regeneration – it's not just factory building or jobs – it's everything nowadays."

Mr Chris Burns, the council's economic development officer, is realistic. "The jury is out on us until we start to deliver the jobs. If we don't, then we have failed." But there is confidence that the partnership is doing the spadework. Mr Dakin remarks: "In the property world some of the key players are starting to be aware of the existence of Cynon Valley – before, no one knew."

Mr Tony Roberts, the borough council's chief executive, points to the kudos of the Royal Opera House siting its £4m scenery store near Aberdare. "They trawled the UK for a site," he says. "We're very competitive on grants and land prices and I think others will follow. We have the locations, communications, availabla land and factories, and labour. We have all the pieces of the jigsaw. We are now able to compete in the marketplace."

Some distinctive schemes for supporting businesses – and communities – are examined by Rhys David

Private sector helps to revitalise small towns

Five years after it was set up as a semi-autooomous unit, Business in the Community in Wales is finding there are activities and campaigns which it can adopt in response to local issues which are not possible within the larger UK framework – as well as national schemes that are not appropriate to Wales.

The main distinctivaly Welsh thrust has been towards building public and private links in a number of small towns through business partnerships. A year ago BITC was asked to help involve the privata sector in Llandndno which had been badly hit by floods. Following a oumber of meetings, the Aberconwy partnership, under the chairmanship of Mr George Newson of Quintoo Hazell, the automotive components company, has been set up, with a brief to come up with ideas for strategic development of the town.

A similar exercise is now being undertaken in Tredegar, south Wales. Businesses ranging in size from the self-employed to more than 150 employees wara brought together in July under the sponsorship of Swalec, the Welsh utility company, to talk with other local organisations and the local authorities about ways of revitalising the valleys town, and about the forms of co-operation which might best achieve this.

The next step will be the creation of a town forum which will give business in the town a vehicle for discussion with the public authorities. As in Llandudno, the aim is to develop a strategic partnership.

In Caernarfon, where a £43m scheme to improve the urban environment is planned, a dialogue has also begun, with the Welsh Office keen for the private sector to back up public sector pump-priming. At present, however, the local authorities are expressing greater enthusiasm for an informal rather than a formal link with business.

In education, BITC in Wales has mobilised companies behind business-education partnerships. Tha Japanese, big investors in Wales, have

Simon Knighton, director of BITC in Wales

been particularly supportive of Aim High, an educational initiative which aocourages young people to raise levels of achievement in education and training. Sony, Panasonic, Toyota, Brother, Hitachi, Aiwa, Hoya, Zeon and Takiron are among the groups which have participated.

Business leaders have also been taken, as in other parts of the UK, to see what is happening on the ground, under the Seeing is Believing programme. A group of senior business leaders visited Cardiff earlier this year to be briefed on Track 2000, a project for collecting and recycling old appliances, backed hy ASW, the steel products group. As a result, other businesses, including Marks & Spencer and British Gas became involved.

Similarly, the idea of professional firms donating time has been adopted in Wales. In two years, services worth £175,000 have been donated, and a new group for north Wales is being started.

One of the big differences according to Mr Simon Knighton, BITC Wales director, is the smaller oumber of big companies compared with some English regions, which as a result puts a bigger onus on the 50,000 small and medium-sized enterprises in Wales.

What Wales does have, however, is a separate political and government dimension and this, according to Mr Knighton, can shorten communications and expedite action. The move to unitary authorities in Wales under local government reform is also seen as likely to make it easier for companies to become involved in working with the commnnity. There is overlap, however, between the aid and support ageocies, which be believes needs to be rationalised.

At a much more local level another organisation, Abergavenny-based Community Enterprise Wales (CEW) co-ordinates the work of groops and individuals seeking to develop community-based enterprise activity. Such businesses, which must be owned and controlled by the local community, can be service or manufacturing operations, and examples within Wales include a local supermarket, cinemas, printing and publishing, catering and childcare.

For a small fee the 130 groups in membership – the target is more than 300 by the end of the current financial year – gain access to advice and information aod to courses and seminars run by CEW, which is funded by a three-year grant from the Welsh Developmeot Agency. Just as importantly, CEW acts as a voice for community groups and lobbies for them.

Some of the most successful eoterprises have been established in the sonth Weles valleys where local groups have come together to bring back into community use former miners' and workmeo's halls, and to provide specialised transport services for the disabled and elderly. Other businesses have been set up to recondition white goods so as to provide low cost products to low income families, and renovate old buildings. In some places community businesses are managiog workspace, thereby helping to create further jobs.

Close links hava in many cases beeo established with local aothorities which have seen the community businesses as a way of creating jobs and bringing back self-respect to areas suffering from tba decline of traditional industries.

In central Cardiff, Packet Promotional Services, a company set up with local authority help, has created jobs for people with learning disabilities, packing promotional literature for a big netlooel group, while oo the city's Ely Estate businesses repairing gardeo tools and opbolstery have been created. In nearby Barry, an area badly affected by closures io the chemical industry, a community enterprise is providing catering at a Sontb Glamorgan coonty council leisure centre.

"We look to see what local services can be provided to get the economy going again. People gain skills which they can use io the community and their friends and oeighbours are encouraged to do likewise," Mr Peter Lewis, finance director of CEW, observes. "Local authorities oow sea this as e way of delivering part of their economic development strategy and of helping the most marginal communities."

COMMODITIES AND AGRICULTURE

Lead reaches two-year $625 a tonne LME high

By Kenneth Gooding, Mining Correspondent

Lead prices reached a fresh two-year peak on the London Metal Exchange yesterday.

Used mainly in batteries, lead already is the best-performing LME metal since world economic recovery began.

Its price has risen by more than 70 per cent from the bottom of the trough in October last year from US$357 a tonne to $625 at one point yesterday.

However, buyers backed away when LME copper prices began to slide and lead for delivery in three months ended $2.50 down from Monday's close at $619.

Mr Wiktor Bielski, analyst at Bain & Co., pointed out that seasonal demand from the battery producers, who account for more than 70 per cent of lead demand, was helping tighten the market, as was a fall in exports from China, Russia and Kazakhstan. Mr Nick Moore, at Ord Minnett, suggested lead was on course for a 25 per cent rise from last year's average price of $529 a tonne to an average of $661 in 1994.

He said: "The fundamentals of the market continue to point to an exciting price future for lead."

LME WAREHOUSE STOCKS
(As at Monday's close)
tonnes

Aluminium	-6,025	to 2,430,400
Aluminium alloy	-60	to 2,5860
Copper	+450	to 367,800
Lead	+50	to 364,725
Nickel	+990	to 140,034
Zinc	+3,600	to 1,132,575
Tin	-180	to 31,870

Rio Algom to boost copper at Cerro Colorado by 50%

By Kenneth Gooding

Rio Algom, the Canadian diversified metals group, already has decided to boost by 50 per cent production from its US$290m Cerro Colorado copper mine in Chile – which began commercial production only in June.

This year Cerro, located 2,600 metres above sea level in the Atacama desert 120kms east of the port of Iquique, will produce 40m lbs of copper. Next year output rises to 90m lbs.

Mr Colin Macaulay, president, said in London yesterday that Cerro was built with expansion in mind and by 1996, by spending only another US$50m, Rio would lift annual output by half from the present design capacity to more than 130m lbs.

"We could not have brought Cerro into production at a better time," be said because all the indications were that copper prices would remain reasonably high for the next two years.

However, Rio was primarily focused on keeping production costs down well below the industry average and Cerro, by using the low-cost solvent-extraction, electro-winning (SX-EW) technology, would produce cathode copper for about 53 cents a lb until the expansion was completed when costs would fall to about 50 cents.

Rio is one of the mining industry's most consistent profit makera bnt its main source of income until recently came from the Elliot Lake, Ontario, uranium mines. Before Cerro started production, all of Rio's copper – 116m lbs last year – came from a one-third stake in Highland Valley Copper of British Columbia. Highland's cash costs for cathode copper are about 62 cents a lb.

Rio first took an option on Cerro from a Japanese exploration group in the early 1980s and intended to develop a mine in partnership with Outokumpu of Finland. But the copper price plummeted and Outokumpu's unions objected to it operating in a country which then was a right-wing dictatorship.

"That was fortunate because then the new SX-EW technology came along which doubled the size of the reserves, is much cheaper and cleaner." Mr Macaulay recalled.

RTZ, the world's biggest mining company which once controlled Rio, also had designs on Cerro. But when RTZ sold to the public its 51 per cent stake two years ago because of growing conflicts of interest, "it could not find a legal way to take it away from us," said Mr Macaulay.

The impact of Cerro on Rio can be judged by the company's sensitivity to the copper price – it does no forward selling or hedging but all production is pre-sold to Japanese and German customers on terms based on the market rate.

At present a 10 US cents a lb change in the price affects Rio's earnings by 19 cents a share. This will increase to 31 cents a share in 1995 and to 38 cents in 1996 after the expansion.

Mr Macaulay said Rio was exploring for more copper in Chile and, like most other copper producers, was talking to Codelco, the state-owned group there, about possible joint ventures or taking over some properties. But this was a slow process because it was politically difficult for the Codelco management and the Chilean government which faced strong union opposition to such moves.

Maize shoots on the acid savannah

John Madeley on a new grain option for the ranchers of Colombia and South America

"I'm so excited, I feel drunk just looking at it", said a farmer of flat land in eastern Colombia as he looked at a crop of maize pushing its way through the soil.

For the farmer this was the first time that a crop had ever grown on his acid and infertile soil which is typical of South America's vast savannah lands, traditionally used only for cattle ranching.

Seventeen years of research by the Cali-based International Centre for Tropical Agriculture (CIAT) and the Mexican-based International Maize and Wheat Improvement Centre (CIMMYT) has led to the development of a maize variety that grows in savanna soils.

Called "Sikuani" after the name of a Colombian tribe, the new variety could increase the productivity of savannah land by allowing farmers to ranch cattle and to grow a crop.

Dr Shivajl Pandey, a CIMMYT plant breeder, says: "This revolutionary maize tolerates acid aoils planted with improved pasture, Sikuani also improves the soil quality, benefitting the pasture or subsequent crops too".

Scientists developed the new variety with germplasm – or genetic material – from Bolivia, Brazil, Colombia, Indonesia, Mexico, Peru, Thailand and Venezuela.

The Colombian Institute of Agriculture, the national agricultural research body, and its semi-private branch, the Colombian Corporation of Agricultural Research (CORPOICA), asked 15 Colombian farmers to test Sikuani in their fields.

It offers South American savannah farmers a much higher return from their land than just ranching cattle

The result was that the variety yielded an average of 3 tons a hectare in tha acid soils. While this might be considered low on fertile soils, it offers South American savannah farmers the chance of a much higher return from their land than just ranching cattle.

Dr Ral Vera, leader of CIAT's tropical lowlands programme, says: "Planting Sikuani in the savannas will have a revolutionary effect.

A new economic option, a new way of working. Farmers will see that integration of cropping and ranching can make the whole system more productive. Farmers willing to experiment were the final decisive factor in producing this variety".

Two years ago CIAT scientists developed a rice variety that will grow in acid soils. Savannah farmers now have options they could only dream of until recently – to plant rice or maize, or both, on their land to complement their cattle.

The new maize will grow in about 125 days and will give farmers the opportunity to plant two crops a year – from September to January and March to July. While some of the maize produced on the savannahs will be marketed for human consumption, some will also be used for cattle feed in the dry season. This will mean that savannas farmers do not have to purchase maize from outside sources.

The opportunity to nse a crop-pasture system could open the way for an increase in both crop and livestock production on South America's *savannahs which* cover almost half the continent's agricultural land. Especially prominent in Brazil, Colombia and Venezuela, savannahs are one of the last ereas in the world not exploited by farmers.

On poor soils, changing to a crop-pasture system offers them a real hope of increasing earnings

"The savannahs represant most of the area in the world that can be expanded for agriculture", said CIAT scientist Dr Richard Thomas.

Scientists point out that, although there are large farms on the savannah lands, there are also many small farmers who make only a meagre living on the poor soils and that changing to a crop-pasture system offers them a real hope of increasing their earnings.

There could also be environmental benefits. Many savannah pastures are overgrazed and a crop-pasture system could mean that farmers reduce their stocking densities and larm their land on a more sustainable basis.

Also, farmers whose land is more productive could be less tempted to expand into forest areas and remove trees for agriculture.

CORPOICA released the new maize variety to farmers in Colombia at the end of July. If savannah farmers become convinced of the benefits of both keeping cattle and growing maize on their land, the problem could be that not enough Sikuani seed will be available. Two Colombian seed companies, and also CORPOICA, are planning to produce and market seeds of the new variety, which is also being tested in Brazil, Ecuador, Peru and Venezuela.

Nordic pulp producers set price increases

By Christopher Brown-Humes in Stockholm

Leading Nordic pulp producers have announced their fifth increase in prices this year because of continuing wood shortages and strong demand from paper producers.

Their move will lift the price of northern bleached soft wood kraft (NBSK) pulp, the industry staple, to $700 a tonne from $630 a tonne and will take effect over the next few weeks. It means prices have risen by 80 per cent from a low of $390 a tonne at the end of last year.

Finncell, the Finnish marketing organisation, led the latest round of price rises, but it has since been followed by several Swedish heavyweights, including Stora, Europe's largest forestry group, and MoDo.

There is every sign that the increases will be accepted, suggesting North American producers will push np their prices to the new levels.

The latest rise has been driven by shortages of wood, which are holding down pulp mill operating rates, and a big rise in demand for fine paper on the back of the recovery in the worldwide economy.

Mr Denis Christie, pulp and paper analyst at James Capel in London, said wood producers were diverting timber to the saw mill industry, where prices have risen sharply, and withholding supplies to pnlp mills in anticipation of higher prices.

He added that market pulp volumes had risen 5 per cent this year – around three times the normal annual level – partly because of stockhuilding.

Russian private grain output

Russian private farmers are expected to harvest 10m tonnes of grain this year despite a shortage of fuel and agricultural equipment, the bead of the private farmers' association AKKOR said on Tuesday.Renter reports from Moscow.

"For the first time since 1917, private farmers will export grain to foreign countries," Mr Vladimir Bashmachnikov said.

Private farms produced about 5m tonnes of grain last year out of total output of 99m.tonnes.

Officials have forecast this year's total grain harvest at 90-100m tonnes.

Canadian saw mill workers reject 6% offer

By Robert Gibbens in Montreal.

Members of the IWA-Canada walked out at a big International Forest Products saw mill at Coquitlam, B.C. saying they were angered by the forest industry's offer of a 6 per cent pay increase over three years.

The luggers and saw mill workers last week lodged a demand for 18 per cent over three years.

IWA-Canada negotiators said this was a bargaining position and demanded a serious counter offer this week. Talks are now expected to restart on Thursday.

The union is armed with a strike mandate and more mill walk-outs are possible this week.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1533-34	1556-58
Previous	1534-35	1559-60
High/low	1538	1571/1557
AM Official	1537-38	1563-63.5
Kerb close		1560.5-61.0
Open int.	277,952	
Total daily turnover	35,154	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1550-55	1570-75
Previous	1550-60	1570-80
High/low		1575
AM Official	1553-56	1570-75
Kerb close		1575-80
Open int.	2,923	
Total daily turnover	410	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	604.5-5.5	618-20
Previous	609-11	621-22
High/low	611.5/611	625/617
AM Official	611.5-12.0	622-22.5
Kerb close		620-1
Open int.	41,137	
Total daily turnover	6,411	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	6230-35	6325-30
Previous	6210-15	6305-10
High/low		6410/6318
AM Official	6255-60	6350-53
Kerb close		6325-30
Open int.	53,467	
Total daily turnover	15,741	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5310-20	5365-70
Previous	5305-5318	5365-75
High/low		5380/5360
AM Official	5295-300	5366-70
Kerb close		5380-90
Open int.	17,580	
Total daily turnover	3,944	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	965.5-66.5	988-89.5
Previous	974-75	997-98
High/low		999/986
AM Official	969.5-70.5	993-94
Kerb close		991-2
Open int.	98,625	
Total daily turnover	18,399	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2482-83	2497-98
Previous	2478.5-79.5	2494-94.5
High/low		2516/2495
AM Official	2488-89	2503-4
Kerb close		2494-95
Open int.	220,824	
Total daily turnover	46,823	

■ LME AM Official £/$ rate: 1.5465
LME Closing £/$ rate: 1.5495

Spot 1.5486 3 mths 1.5467 6 mths 1.5434 9 mths 1.5386

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	low	Open int	Vol
Sep	116.50	+0.35	117.20	116.10	7,030	785
Oct	115.45	+0.25	115.40	115.40	1,095	215
Nov	115.10	+0.25	115.00	115.00	615	44
Dec	114.75	+0.25	115.30	114.30	34,383	6,156
Jan	114.25	+0.25	-	-	535	56
Feb	113.75	+0.25	-	-	315	92
Total					51,881	7,774

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	387.40-387.90	
Opening	387.60-388.00	
Morning fix	387.80	250.598
Afternoon fix	387.60	250.226
Day's High	388.10-388.60	
Day's Low	387.30-387.80	
Previous close	387.00-387.40	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.33	6 months	4.63
2 months	4.34	12 months	4.80
3 months	4.38		

Silver Fix	p/troy oz.	US cts equiv.
Spot	351.40	543.80
3 months	355.85	550.00
6 months	361.00	557.05
1 year	374.15	573.55

Gold Coins	$ price	£ equiv.
Krugerrand	392-395	254-257
Maple Leaf	397.85-400.35	
New Sovereign	90-93	58-61

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Sep	387.9	+0.8	-	-	-	-
Oct	389.2	+0.8	389.3	388.8	9,136	224
Nov	390.7	+0.8	-	-	-	-
Dec	392.2	+0.8	392.5	391.5	90,701	15,255
Feb	395.4	+0.8	395.7	395.0	13,327	93
Apr	398.7	+0.8	-	-	6,871	14
Total					157,307	15,799

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Oct	421.2	+2.4	424.0	420.5	16,540	3,843
Jan	425.8	+2.4	427.5	425.0	5,751	1,088
Apr	428.9	+2.4	431.0	429.5	1,852	80
Jul	432.4	+2.4	-	-	452	77
Oct	434.9	+2.4	-	-	102	-
Total					24,696	4,888

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Sep	153.75	-0.05	-	-	177	39
Dec	155.25	-0.05	156.75	154.50	5,468	284
Mar	156.75	-0.05	155.50	155.50	728	56
Total					6,425	440

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Sep	546.6	+4.7	548.0	544.5	1,037	236
Oct	549.0	+4.8	-	-	5	2
Nov	551.0	+4.8	-	-	-	-
Dec	553.5	+4.8	556.0	548.5	83,858	16,108
Jan	555.9	+4.8	-	-	57	3
Mar	561.5	+4.8	563.5	557.5	8,681	180
Total					108,358	18,536

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Oct	17.34	-0.10	17.39	17.11	84,291	28,161
Nov	17.46	-0.12	17.50	17.21	60,632	13,708
Dec	17.54	-0.07	17.59	17.30	50,859	8,745
Jan	17.60	-0.04	17.63	17.40	32,987	1,981
Feb	17.63	-0.02	17.63	17.55	19,383	779
Mar	17.50	-0.27	17.50	17.45	14,798	214
Total					365,522	54,618

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Oct	16.00	+0.14	16.14	15.90	61,198	11,525
Nov	16.25	+0.12	16.29	16.05	39,893	8,524
Dec	16.35	+0.10	16.37	16.20	20,844	1,651
Jan	16.39	+0.12	16.39	16.23	8,575	215
Feb	16.23	-0.05	16.23	16.23	4,789	355
Mar	16.28	-	-	-	5,151	74
Total					147,713	20,388

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Oct	49.60	-0.12	49.75	48.85	41,327	10,308
Nov	50.50	-0.07	50.55	49.80	19,724	2,525
Dec	51.55	+0.01	51.60	50.85	38,605	5,281
Jan	52.20	-0.04	52.25	51.75	21,911	2,355
Feb	52.50	+0.08	52.50	52.00	9,725	741
Mar	51.90	+0.21	52.20	51.20	6,973	798
Total					180,365	22,853

■ GAS OIL IPE ($/tonne)

	Latest price	Day's change	High	Low	Open int	Vol
Sep	151.90	+2.00	151.50	148.50	23,380	5,260
Oct	154.75	+2.50	155.25	151.50	25,245	4,843
Nov	157.25	+2.50	157.25	154.00	12,577	1,852
Dec	158.75	+2.25	158.75	156.00	15,948	1,549
Jan	160.00	+2.25	160.00	157.50	12,071	822
Feb	160.25	+2.00	160.25	158.25	4,466	31
Total					106,056	14,107

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Open int	Vol
Oct	1.565	+0.005	1.580	1.530	29,444	7,759
Nov	1.810	+0.002	1.815	1.790	17,349	2,521
Dec	2.030	-0.002	2.030	2.020	24,969	1,908
Jan	2.065	-0.018	2.080	2.065	14,335	1,497
Feb	2.015	-	2.015	2.010	11,667	1,123
Mar	1.980	+0.005	1.980	1.970	8,888	273
Total					149,382	16,527

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Oct	47.85	-0.40	48.10	47.00	28,457	11,274
Nov	47.80	-0.39	47.90	47.40	14,804	5,411
Dec	54.15	-0.24	54.15	53.65	8,848	1,731
Jan	53.65	+0.01	53.65	53.40	4,538	444
Feb	53.00	-0.14	53.00	52.90	3,288	125
Mar	53.50	-0.54	53.50	53.50	432	52
Total					63,008	19,548

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	105.75	+0.50	105.75	105.55	233	34
Nov	108.80	+0.80	108.80	108.50	2,548	110
Jan	108.85	+0.80	108.90	108.50	1,784	104
Mar	110.75	+0.80	110.75	110.50	1,137	34
May	112.90	+0.55	112.90	112.50	1,121	91
Jul	114.80	+0.70	114.80	114.50	177	30
Total					6,980	403

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	370/0	+2/2	372/0	365/4	1,581	610
Dec	385/0	+3/2	388/0	379/6	46,563	8,872
Mar	389/4	+2/0	390/6	385/4	15,684	1,975
May	380/0	+1/0	382/0	377/2	1,578	217
Jul	358/2	+1/0	357/0	351/4	2,822	593
Sep	359/6	+1/0	-	-	4	-
Total					70,487	12,573

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	226/4	+3/6	227/4	222/0	10,889	4,493
Dec	226/6	+3/0	227/0	223/0	128,127	12,422
Mar	235/6	+2/4	236/2	232/4	28,379	1,467
May	241/2	+2/0	241/6	238/6	11,797	228
Jul	245/6	+2/0	246/0	242/6	12,097	948
Sep	247/4	+0/4	248/0	246/4	886	50
Total					199,068	19,878

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	103.70	+0.20	103.70	103.00	65	-
Nov	104.70	+0.50	104.70	104.60	512	11
Jan	106.90	+0.85	106.90	106.50	331	21
Mar	108.75	+0.25	108.75	108.50	62	30
May	110.40	-0.10	-	-	21	-
Total					994	62

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	589/4	+7/4	593/4	579/0	5,969	1,048
Nov	582/6	+7/2	587/0	573/0	76,802	13,222
Jan	589/6	+8/0	594/4	581/0	13,958	918
Mar	599/6	+7/2	602/0	590/2	6,548	788
May	605/6	+7/6	607/0	598/4	4,255	493
Jul	609/4	+6/2	613/0	601/4	7,590	585
Total					118,784	17,480

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	25.89	+0.39	26.13	25.54	8,640	3,062
Oct	25.63	+0.31	25.92	25.35	17,662	3,318
Dec	25.42	+0.38	25.67	25.03	35,806	7,138
Jan	25.22	+0.30	25.45	24.90	5,384	707
Mar	25.00	+0.23	25.25	24.75	6,915	724
May	24.85	+0.23	25.00	24.55	4,253	303
Total					81,307	15,485

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	175.5	+2.2	175.7	172.4	8,391	2,902
Oct	173.8	+1.9	173.8	170.7	13,243	1,966
Dec	174.7	+2.0	175.4	171.4	36,081	3,862
Jan	175.5	+1.8	176.2	172.5	7,112	527
Mar	178.0	+1.3	178.7	175.3	7,844	639
May	178.5	+1.7	180.0	176.0	4,543	180
Total					81,379	10,126

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	150.0	-	-	-	-	-
Mar	105.0	-	-	-	-	-
Apr	228.5	+5.7	232.0	225.0	1,286	174
May	240.0	-	-	-	-	-
Jun	107.5	-	-	-	-	-
Total					1,286	174

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	1490	+10	1490	1485	598	27
Oct	1508	-1	1505	1495	862	41
Nov	1488	-2	1498	1495	45	5
Jan	1490	-	1496	1485	554	24
Apr	1490	+5	1490	1485	261	11
Jul	1375	-5	-	-	60	-
Total					2,410	108

	Close	Prev
BFI	1459	1450

Minor Metals
European free market, from Metal Bulletin, $ per lb in warehouse, unless otherwise stated (last week's in brackets, where changed). Antimony: 99.6%, $ per tonne, 5,380-5,500 (5,250-5,450). Bismuth: min. 99.99%, tonne lots 3.70-4.00 (3.80-4.25). Cadmium: min. 99.5%, 125-140 cents a pound. Cobalt: MB free market, 99.8%, 23.80-24.60 (22.75-23.50); 99.3%, 20.00-20.85 (19.50-20.50). Mercury: min. 99.99%, $ per 76 lb flask, 110-120. Molybdenum: drummed molybdic oxide, 3.60-3.65 (3.60-3.65). Selenium: min 99.5%, 3.35-4.55. Tungsten ore: standard min. 65%, $ per tonne unit (10kg) WO_3, cif, 37-47. Vanadium: min. 98%, cif, 1.40-1.50. Uranium: Nuexco exchange value, 7.10.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	945	-1	948	944	175	73
Dec	979	-8	981	975	32,717	4,608
Mar	1010	-8	1018	1007	32,206	1,919
May	1023	-9	1030	1022	12,124	201
Jul	1037	-9	1050	1036	5,422	156
Sep	1050	-10	1062	1050	9,132	555
Total					102,880	7,818

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	1265	-41	1285	1263	121	3
Dec	1325	-27	1331	1310	42,509	2,990
Mar	1370	-27	1376	1357	12,748	1,180
May	1400	-25	1404	1388	3,449	17
Jul	1422	-25	1436	1415	2,471	-
Sep	1442	-25	1447	1447	1,305	-
Total					71,027	4,742

■ COCOA (ICCO) (SDR's/tonne)

Sep 5	Price	Prev. day
Daily	-	1028.02

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	4043	+78	4043	3950	3,048	508
Nov	3953	+83	3955	3850	13,040	3,007
Jan	3888	+86	3895	3810	12,058	1,046
Mar	3838	+89	3838	3769	5,838	566
May	3775	+52	3775	3735	1,484	17
Jul	3763	+45	3763	3720	55	259
Total					35,534	5,403

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	212.40	+8.15	212.50	210.00	257	54
Dec	217.70	+7.80	218.50	215.00	22,847	3,318
Mar	218.15	+8.00	219.15	218.50	8,864	191
May	219.80	+8.00	219.80	219.80	3,015	55
Jul	220.80	+8.00	220.80	220.80	708	29
Sep	221.70	+8.00	221.70	221.50	411	15
Total					34,595	3,860

■ COFFEE (ICO) (US cents/pound)

Sep 5	Price	Prev. day
Comp. daily	-	194.21
15 day average	-	194.27

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	12.20	-0.14	-	-	1,807	-
Jan	11.82	-	-	-	-	-
Mar	12.17	-0.07	-	-	99	-
Total					1,881	-

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	321.40	-2.30	323.40	320.00	8,020	1,813
Dec	316.80	-2.70	320.80	318.00	2,301	388
Mar	318.80	-1.80	320.50	317.20	8,121	394
May	318.80	-1.20	217.90	217.90	553	4
Aug	320.80	+0.80	-	-	358	-
Oct	305.30	-1.00	-	-	206	-
Total					17,559	2,377

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	11.90	-0.14	11.99	11.79	46,580	5,181
Mar	12.01	-0.06	12.08	11.88	62,349	2,926
May	11.98	-0.08	12.04	11.84	10,395	316
Jul	11.88	-0.12	11.95	11.80	4,772	218
Oct	11.70	-0.13	11.79	11.66	1,850	20
Mar	11.31	+0.02	11.42	11.30	466	20
Total					128,34	8,681

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	68.85	-0.25	70.45	68.52	3,763	264
Dec	68.81	-0.23	69.39	68.35	27,871	3,257
Mar	70.18	-0.22	70.65	69.75	9,156	455
May	71.30	-0.30	71.80	71.15	4,671	312
Jul	71.70	-0.25	-	-	3,445	3
Oct	69.50	-0.30	70.05	70.05	414	1
Total					51,234	4,498

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	88.70	-4.20	90.40	88.60	833	573
Nov	90.90	-4.10	94.30	90.70	8,831	905
Jan	94.35	-4.20	97.75	94.25	4,735	229
Mar	98.30	-3.45	101.10	98.30	2,618	189
May	101.35	-3.20	102.75	102.75	856	7
Jul	104.05	-2.70	107.00	105.00	471	8
Total					18,891	1,921

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Sep 6	Sep 5	month ago	year ago
2083.2	2088.4	2085.2	1620.2

■ CRB Futures (Base: 1967=100)

Sep 6	Sep 2	month ago	year ago
-	232.46	231.62	-

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	71.550	-0.125	71.875	71.075	35,303	4,887
Dec	69.875	+0.250	70.025	69.350	17,235	1,644
Feb	68.800	+0.225	68.900	68.350	11,667	611
Apr	70.450	+0.250	70.500	70.150	7,885	250
Jun	67.450	+0.200	67.450	67.150	1,922	42
Aug	67.100	+0.150	67.100	66.750	864	9
Total					75,863	7,445

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	38.075	+0.900	39.200	37.750	12,006	2,579
Dec	40.000	+0.575	40.100	39.050	9,865	1,063
Feb	40.025	+0.400	40.150	39.450	3,094	449
Apr	39.000	+0.100	39.450	38.900	1,864	120
Jun	44.250	+0.200	44.300	43.925	610	65
Aug	43.050	+0.050	43.050	42.900	75	17
Total					27,832	4,338

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	42.375	-0.200	43.800	41.825	7,585	1,516
Mar	42.050	-0.400	43.300	41.800	463	83
May	42.700	-0.425	43.500	42.500	64	15
Jul	44.350	-0.050	44.650	44.000	144	11
Aug	43.250	+0.875	43.250	43.250	31	7
Total					8,307	1,625

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Oct	Jan	Oct	Jan
1500	66	105	16	40
1525	50	92	24	50
1550	35	79	35	61
■ COPPER (Grade A) LME	Oct	Jan	Oct	Jan
2400	110	146	17	58
2450	75	117	32	79
2500	48	93	56	103
■ COFFEE LCE	Nov	Jan	Nov	Jan
3600	447	529	94	241
3650	412	501	109	263
3700	379	474	126	286
■ COCOA LCE	Dec	Mar	Dec	Mar
1000	49	86	70	76
1050	32	66	103	106
1100	21	50	142	140
■ BRENT CRUDE IPE	Oct	Nov	Oct	Nov
1600	16	-	58	41
1650	3	54	-	-
1700	1	31	141	-

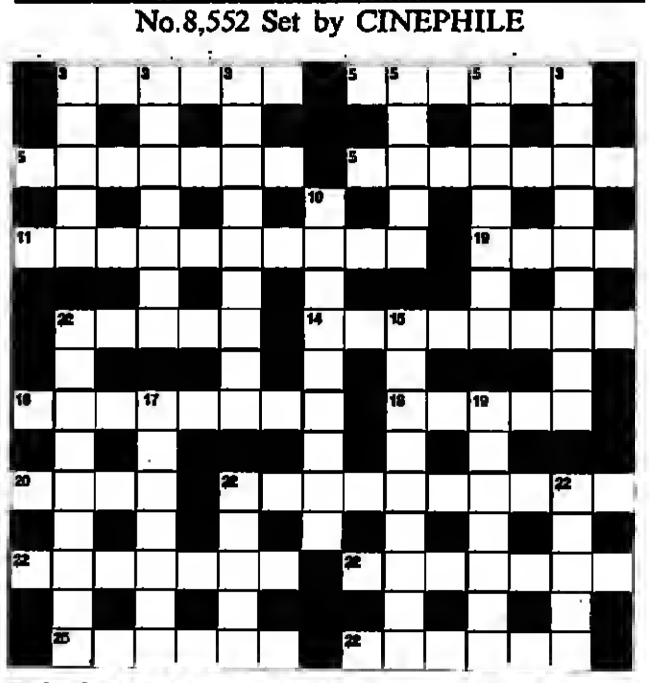
LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Oct)		+or-
Dubai	$15.19-5.44t	+0.280
Brent Blend (dated)	$15.85-5.87	+0.405
Brent Blend (Oct)	$16.34-6.36	+0.425
W.T.I. (1pm est)	$17.60-7.61	+0.250
■ OIL PRODUCTS NWE prompt delivery CIF (tonne)		
Premium Gasoline	$184-187	
Gas Oil	$154-155	+4
Heavy Fuel Oil	$72-74	+0.5
Naphtha	$159-161	+2
Jet fuel	$170-171	+3
Petroleum Argus assessments		
■ OTHER		
Gold (per troy oz)♣	$387.85	+0.45
Silver (per troy oz)♣	544.5c	+2.50
Platinum (per troy oz.)	$420.25	+3.35
Palladium (per troy oz.)	$154.00	-0.25
Copper (US prod.)	120.0c	
Lead (US prod.)	36.25c	
Tin (Kuala Lumpur)	13.26m	-0.20
Tin (New York)	247.5c	-2.00
Cattle (live weight)†◎	117.27p	+0.48*
Sheep (live weight)†♠◎	88.39p	+0.48*
Pigs (live weight)◎	76.80p	-0.56*
Lon. day sugar (raw)	$303.6	+1.1
Lon. day sugar (wte)	$339.0	+0.6
Tate & Lyle export	£309.0	
Barley (Eng. feed)	£107.0w	+0.5
Maize (US No3 Yellow)	£180.0	
Wheat (US Dark North)	£136.0	
Rubber (Oct)♥	86.00p	-0.50
Rubber (Nov)♥	85.00p	-0.50
Rubber KL RSS No1 Aug	314.50m	-2.00
Coconut Oil (Phil)§	$592.5z	-2.5
Palm Oil (Malay.)§	$620.0w	+15.0
Copra (Phil)§	$415.0	
Soyabeans (US)	£165.0u	
Cotton Outlook 'A' Index	75.10c	-0.55
Wooltops (64s Super)	457p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. u Nov/Jan. t Oct. z Sep/Oct. w Sep. ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week. ◎ Prices are for previous day.

CROSSWORD

No.8,552 Set by CINEPHILE



Each of the fourteen across solutions contains a carnivorous mammal, which is disregarded in the subsidiary part of the clue. 23's is (very) small and 26's marine

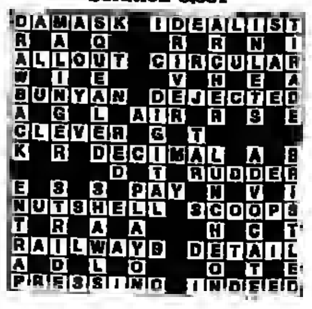
ACROSS

1 Girl's name, one to be loved (6)
4 Handy turn (6)
8 Left-winger's dance? (7)
9 Crash on purpose into tungsten (7)
11 Hot sweet to last sailor a long time (10)
12, 25 Article by person opposed to a related country (4-6)
13 Vandyke, for example, died (5)
14 Philanthropist round border river (3-6)
16 See 20
18 Old coin of the French (5)
20, 16 Sparkler, since it's broken net (4,8)
21 Provider of precious metal is turned 55 (6,4)
23 Chef cut short by pole in his place (7)
24 In charge of a form of engineering (7)
25 See 12
26 Brown stuff used as dye by East Indian leaders (6)

DOWN

1 Smell of a capital? (5)
2 Hollyhock that's endlessly found in a meadow (7)
3 Do nothing to boy among men pessimistic about the future (4-5)
5 Talked from centre to circumference (5)
6 Aficionado, first to see wild cattle (7)
7 Mack Sennett (K's left ont) makes a decree (9)
10 Lloyds' ire displayed with martial effect (9)
13 Getting round how bridge players show weakness? (9)
15 Lover of mechanical devices takes oath to capture English queen (9)
17 Letter carrier, Hannibal's father, with no head and twisted neck, possibly? (7)
19 Pay a call about domestic animal having to enter contest (7)
21 Some floosie native to Italian city (5)
22 Scots county appears Irish when's granny's about (5)

Solution 8,551



JOTTER PAD

LONDON STOCK EXCHANGE

MARKET REPORT

Bond market worries drive share prices lower

By Terry Byland,
UK Stock Market Editor

The market's worries over interest rates, allayed at first by favourable statistics on UK industrial output, increased sharply yesterday afternoon when the German bond market fell sharply. British government bonds quickly followed suit and a stock market already showing a double-digit loss plunged in the final two hours of trading to challenge the Footsie 3,200 mark.

At the final reading of 3,205.4 the FT-SE 100-share Index was down a net 36.1, and only a shade above the day's low. Trading volume, unexceptional at first, gathered pace in the late sell-off and at least one sell programme was reported. The brunt of the market setback came among the blue chips, which were the most closely linked to selling in the stock index futures sector. The FT-SE Mid 250 Index closed 6.3 down at 3,782.4.

In very early deals, the Footsie gained more than 8 points as investors continued to respond to indications that economic growth remains restrained, and will thus put less pressure for higher interest rates at today's scheduled meeting between the UK chancellor of the exchequer and the Governor of the Bank of England. Market sources indicated at the end of last week that some official advisers might be urging a pre-emptive rise to base rates.

The same message appeared to be conveyed in the rise of a mere 0.1 per cent in domestic industrial output in July. However, London was unsettled by the evident uncertainty in German bonds as well as the weakness in both the dollar and sterling. In the previous session, the UK market successfully resisted the interest rate worries clearly present elsewhere in Europe. But London was already succumbing to these worries yesterday morning, as became only too clear when the German bund began to fall.

Although the Footsie was around 16 points off by early afternoon, gilts were still steady and there was little pressure on the equity market. This changed dramatically when German bond yields jumped to a 20-month high and UK gilts fell sharply. US bonds also opened lower as the New York markets reopened after Labor Day, although the Dow Industrial Average was only a couple of points off when London went home for the day.

The speed of the reaction in the equity market appeared to confirm that investors are now focusing on the view that the interest rate cycle in Europe is on the turn – with the UK regarded as the first in line for a rate uptick.

Seaq volume of 573.8m shares was moderate, and compared with 765.5m on Monday when retail business slipped to return a value total of £1.29bn. Levels of retail business have proved a deceptive guide to institutional activity over the past fortnight.

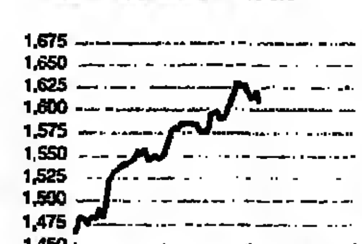
Business in second-line stocks dropped back yesterday to a more normal 55 per cent or so of the day's turnover as Wall Street's reopening brought the big players back into the blue chip internationals. Currency factors kept share prices on the defensive, however.

The biggest losses came in the retail, consumer and building industry stocks, which are seen as the most vulnerable to interest rate worries. There was some support for bank shares, however, as London brokers recommended them because of the benefits for bad debt portfolios of the economic recovery.

Although investors continued to respond to trading statements, actual or pending, the final slide in the market took most sectors along in its wake. Strategists commented that the market is now showing all the signs of an expected tug-of-war between the benefits of higher company dividends and profits and the prospect of increases in interest rates.

"By the end of this month we should have a better idea of which set of factors is coming out on top," commented one leading analyst.

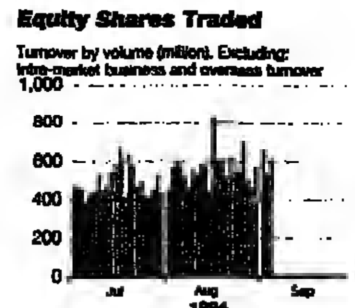
FT-SE-A All-Share Index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



■ Key Indicators

Indices and ratios

FT-SE 100	3205.4	-36.1
FT-SE Mid 250	3782.4	-6.3
FT-SE-A 350	1619.5	-14.8
FT-SE-A All-Share	1607.26	-13.50
FT-SE-A All-Share yield	3.70	(3.68)
FT Ordinary index	2478.9	-33.3
FT-SE-A Non Fins p/e	19.84	(20.04)
FT-SE 100 Fut Sep	3201.0	-47.0
10 yr Gilt yield	8.81	(8.67)
Long gilt/equity yld ratio:	2.39	(2.40)

Best performing sectors

1 Banks .... +0.8
2 Printing, Paper & Pckg .... +0.6
3 Engineering, Vehicles .... +0.1
4 Other Financial .... +0.0
5 Oil Exploration .... +0.0

Worst performing sectors

1 Tobacco .... -3.6
2 Gas Distribution .... -3.1
3 Spirits, Wines .... -1.6
4 Pharmaceuticals .... -1.7
5 Consumer Goods .... -1.7

Heavy trade in utilities

Corporate activity continued to drive the utilities, with the regional electricity companies (recs) again heavily traded after news of yet more share buy-back operations.

But it was a restructuring programme announced by Manweb that caught the market's imagination and drove its shares sharply higher. Analysts welcomed Manweb's strategy, with Kleinwort Benson, in particular, said to have been an aggressive buyer of the stock, which raced up 20 to 851p.

Analysts pointed out that Manweb had been the second worst performer in the recs since the distribution review last month and that they had been impressed by the details of the big cost savings after the restructuring.

South Wales Electricity rose 21 to 817p after stating that it had bought back 500,000 of its shares at 815p, confirming recent speculation that such a move was imminent.

And South Western moved back into the market to buy a further 750,000 of its shares at 805p. It purchased 3.5m last week and has now acquired 3.4 per cent of its stock. The company has shareholder authority to buy in up to 12.3m of its shares. South Western declined 7 to 803p.

Midlands Electricity, also expected to announce a big restructuring in the near future, rose 10 to 799p amid talk of an imminent buy recommendation from one of the leading UK broking houses.

The Scottish generators, Hydro-Electric and Power, were both under pressure ahead of their own distribution review, with some analysts of the opinion that any good news may well have been already factored into their share prices. Both stocks retreated 9, Hydro to 398p and Power to 399p.

Bowater improves

Paper group Bowater provided a glimmer of relief in the market as its half-time results suggested a turnround in the hard-pressed packaging sector.

The shares improved 19 to 492p after the company posted profits of £105m and gave a very confident statement. Broker Hoare Govett upgraded its normalised profits forecast to £231m, and said margins were improving and organic growth was coming through. However, some analysts refused to believe that the company's past as an acquisition-led company was finally behind it. "Has the leopard really changed its spots or is it just saying what the City wants to hear?" asked one.

Bank shares, among the market's strongest performers in the past couple of weeks following a number of broker buy recommendations, made further rapid progress after a positive review of the sector by Kleinwort Benson.

Takeover talk, involving the possible acquisition of a leading UK building society or the bank itself being absorbed by an overseas buyer, continued to promote heavy two-way activity in TSB shares, which ended unchanged at 233p. Turnover in the stock reached 12m, easily the highest since January when the company surprised the market with a 20 per cent dividend increase.

Barclays, finally unchanged at 595p and a Kleinwort favourite, was the second most heavily traded bank stock, 8.8m shares being dealt. National Westminster, where there was heavy activity in the options, rose 8 more to 511p on 8.3m shares traded. Lloyds put on 7 at 580p as the market continued to speculate about a possible early sale of the bank's 4.7 per cent stake in Standard Chartered.

Commercial Union was outstanding in composite insurances, climbing 11 to 564p on talk of an imminent broker buy note and following switching out of Royal Insurance, which fell 14 to 284p. Sun Alliance dipped 12 to 340p, but dealers are still hopeful of a good increase in the interim dividend when the group reveals its figures tomorrow.

Tate & Lyle declined 5 to 444p after James Capel, the leading agency broker, was said to have taken the stock off its buy list.

Iceland Group delivered one of the best individual performances in the market, the shares racing up 20 to 165p after the better than expected interim results, which included a 10 per cent increase in the dividend.

Pharmaceuticals group Medeva was the best performer in the London market, jumping almost 18 per cent as investors responded to a sharp improvement in interim results.

Even some of the more grizzled bears had to admit that a 70 per cent leap in profits to £22.1m was encouraging. One commented: "This might prove to be a turning point in the company's stock market fortunes." The shares ended the day 23 higher at 151p.

A market-led fall in Wellcome shares masked a tussle between rival analysts following a migraine conference presentation on its answer to the Glaxo treatment Imigran. Lehman Brothers came away arguing that Wellcome's product was as good as if not better than Imigran and could generate peak sales of $500m. Hoare Govett concentrated on the treatment's sedative side effects. The shares fell 14 to 685p, while Glaxo dipped 13½ to 620p ahead of figures due tomorrow.

The City tends to see rationalisation as improved profits rather than lost jobs, and yesterday's announcement by Carlton was no exception.

News that the group is to combine its common broadcasting services, commissioning and production arms with Central Television from January 1995 is estimated to lead to around 180 redundancies but a boost in profits of some £5m. The shares rose 12 to 857p, although they were bouncing from a low point and several brokers had begun to upgrade their recommendations.

Greene King, the brewer, improved 16 to 537p after selling its 28 per cent stake in rival Morland. The 6.23m shares were placed with institutions via Hoare Govett at 460p each. Morland shares fell 15 to 493p.

Disappointing car registrations for August depressed the vehicle distributors sector. The 2.8 per cent rise from last year's level was much less than expected and left Lex 12 cheaper at 384p, Cowie 5 lighter at 247p and Inchcape off 9 at 468p.

IMI turned in interim results in line with expectations but not high not enough to hold the share price, which came off 11½ to 325p. Mr Zafar Khan at Strauss Turnbull revised his full-year profits forecast from £80m to £82m, excluding the exceptional write-offs.

Rolls-Royce held on to a penny rise to close at 185½p, with UBS rumoured to be a big buyer.

MARKET REPORTERS:
Peter John,
Clare Gascoigne,
Steve Thompson.

■ Other statistics, Page 23

NEW HIGHS AND LOWS FOR 1994

NEW HIGHS (51). BREWERIES (3) Gibbs Mew, Hon (J), Marston Thompson, BUILDING & CNSTRN (1) Sheriff, DISTRIBUTORS (5) Brammer, Finelist, Norbain, Parlon, Spandex, DIVERSIFIED INDLS (1) 77, ELECTRNC & ELECT EQUIP (2) Acorn Computer, Aba, ENGINEERING (4) Booth Inds, [illegible]

EQUITY FUTURES AND OPTIONS TRADING

Aggressive selling in the futures and options market and rumours of a heavy sell-off from a US hedge fund took the September FT-SE 100 contract down to break through the 3,200 barrier, *writes Clare Gascoigne*.

The morning opened cheaply with the September contract at 3,246, after closing at a premium on Monday, with expectations of a quiet day because of the Jewish new year. But after touching the day's high of 3,248 it was almost immediately traded down, taking the cash market with it to reverse early morning gains.

The real weakness came through late in the afternoon, as the German bund came under pressure and with the added burden of the US hedge fund rumours. In spite of some buying from independent traders, it was not enough for the September contract to recover, and after dipping briefly below the 3,200 level it closed at 3,201. Volume was good, with 16,415 contracts traded by the close.

After-hours' dealing took the September contract down still further to 3,196, with around 1,500 lots transacted.

However, the December contract was more in favour and held its value better, finishing at 3,215.

A busy day for options took turnover to 29,511 lots, with the banks heavily traded; HSBC at 2,787 contracts was the most active stock option.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	3246.0	3201.0	-46.0	3248.0	3198.0	13013	48907
Dec	3261.0	3216.5	-45.5	3262.0	3215.0	4072	16549
Mar	3272.0	3243.0	-45.0	3272.0	3272.0	10	100

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

Sep	3800.0	3784.0	+1.0	3800.0	3782.0	111	4172
Dec	3822.0	3807.0	+2.5	3822.0	3822.0	61	580

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

Sep		3784.0					636

All open interest figures are for previous day. † Exact volume shown.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3204) £10 per full index point

[illegible]

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

[illegible]

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
ASDA Group†	7,900	60½	-1
Abbey National†	1,500	419	-7
Albert Fisher	3,300	60	
Allied-Lyons†	917	606	-8
Anglian Water	551	560	+4
Argos	112	355	-5
Argyll Group†	6,100	290	-6
Arjo Wiggins†	1,500	271½	-1½
Assoc. Brit. Foods†	638	662	-3

[illegible]

FT-SE Actuaries Share Indices — The UK Series

[illegible]

■ FT-SE Actuaries All-Share

[illegible]

■ Hourly movements

[illegible]

■ FT-SE Actuaries 350 Industry baskets

[illegible]

LONDON EQUITIES

LIFFE EQUITY OPTIONS

[illegible]

FT GOLD MINES INDEX

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	1	63	8
Other Fixed Interest	0	13	2
Mineral Extraction	61	57	80
General Manufacturers	118	147	381
Consumer Goods	34	61	102
Services	75	89	328
Utilities	18	19	8
Financials	56	100	212
Investment Trusts	22	115	330
Others	6	49	54
Totals	389	713	1503

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

First Dealings	August 22	Expiry	November 24
Last Dealings	September 5	Settlement	December 8

Calls: Diploma, Magnum, P&P, Pages (Michael), Peek, Ryan Hotels, Silverminos. Puts: Page (Michael), Ryan Hotels.

LONDON RECENT ISSUES: EQUITIES

[illegible]

RIGHTS OFFERS

[illegible]

FINANCIAL TIMES EQUITY INDICES

[illegible]

LONDON SHARE SERVICE

BANKS

	Notes	Price	+ or -	1994 high	1994 low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl		£22⅞	-⅛	£25¼	£20⅜	8,833	5.1	Φ
ANZ A$		169	—	278¾	179¾	2,582	6.1	28.1
Abbey National	‡NC□	419xd	-7	523	381	5,497	4.0	14.1
Allied Irish IE	♣‡NC□	264xd	+1	314	234	1,745	4.9	10.1
Anglo Irish IE	NC□	62	—	*70	50	213.4	5.0	11.3
Asahi Y		722½	-19½	819¼	628	16,768	0.6	Φ
Banco Bil Viz Pta		[illegible]	-¼	[illegible]	714⅛	3,447	5.6	6.6
Banco Sant Pta		[illegible]	—	*230½	223¾	3,948	3.3	0.1
Bk Ireland IE	♣□	293	+2	*319	240	1,364	4.4	8.5
Bank Scotland	♣NC□	[illegible]	+½	247	172½	2,456	3.0	17.2
9¼pc Pf		112	-¼	141½	112	112.0	10.3	–
9¼pc Pf		117½	-¼	148½	117½	117.5	18.4	–
Barclays	♣‡NC□	585xd	—	640	487	9,680	3.5	18.4
Dai Ichi Kan Y		[illegible]	+⅛	£12⅞	£10⅛	35,607	0.5	–
Deutsche DM		£299¾	+2¼	£344¼	£270⅞	14,205	2.3	–
Espirito Santo		710½	—	*£13⅛	[illegible]	224.3	3.7	5.2
First Nat Fin	NC□	69½	—	*90	60	117.3	2.7	–
6.3pc Cv Pf		17	—	*90	17	5.18	10.2	–
7pc Cv Pf		127	—	171	123	60.3	6.9	–
Fuji Bank Y		1383	-10	1549¼	1152½	48,082	0.4	Φ
HSBC HK	‡NC□	772xd	+6	1133	680	12,510	3.6	11.2
HSBC (75p Shs)	‡NC□	764xd	+10	1110	680	6,409	4.1	10.9
Lloyds	‡NC□	580xd	+7	680	518	7,511	6.0	11.4
Mitsubishi Y		[illegible]	-⅛	[illegible]	715⅝	45,943	0.3	Φ
Mits Tst & Bk Y		312¼	-5½	1162¼	687½	10,930	0.6	14.1
Mitsui Tst & Bk Y		686¼	-1¼	376	314	5,343	0.8	22.6
Nat Aust A$	†	505	-2	620¼	489¼	6,760	5.6	10.5
NatWest	‡NC□	511xd	+6	622	421	8,506	4.7	8.5
Ottomane FFr		£21½	+¼	[illegible]	£21¼	107.8	3.3	Φ
Ryl Bk Scotland	♣‡NC□	437	+3	528	377½	3,408	3.4	19.8

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD MANUFACTURERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

Approved by the Inland Revenue

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

	Notes	Price	+ or -	1994 high	1994 low	Yld Gr's	NAV	Dis or Pm(-)
Pilot Inv	N☐	130	—	158	125½	1.3	134.0	-3.6
Warrants	☐	30	—	85	44	–	–	–
Piper Euro Smlr	☐	86	—	95	81	–	94.3	-.7
Warrants	☐	39	—	39	33	–	–	–
Primadona		283	+2	293	251	1.9	312.7	7.2
Placeagne Intl	♣N☐	237	—	*276	206	1.6	256.2	7.5
Warrants		82	—	140	76	–	–	–
RIT Capital	♣N☐	186	—	198	164½	1.0	223.8	17.3
2½pc Cv Ln 2000		£183xd	+½	£186½	£170½	1.4	–	–
Radiotrust	☐	82	—	88	70	–	74.3	-9.4
Riv & Merc Am Inc	N	107	—	121	106	9.1	–	–
Cap	☐	32	—	38	30	–	43.0	25.6
Warrants		14	—	77	13	–	–	–
Riv & Mer Ext	N☐	124xd	-1	147	113	7.9	115.2	-7.1
Warrants		29	-1	40	26	–	–	–
Zero Div Pf		110	-½	110½	108½	–	–	–
Riv & Mer Geared	N	100xd	—	116	90	9.4	–	–
Prfd Cap 1999		29	—	60	28	–	36.2	19.9
Riv & Merc Smlr	N☐	130	—	170	118	4.1	141.2	7.9
Warrants		43	—	77	32	–	–	–
Riv & Merc Tst Inc	N☐	118xd	—	127	113	10.0	–	–
Cap	☐	136	-1	159	118	–	201.1	32.4
Warrants		30	—	40	30	–	–	–
Do. Stepd Prf	N	150½	—	161	149½	4.8	–	–
Silver Plate Inv	N☐	108	—	113	106	10.2	–	–
Cap	☐	91	-2	112	80	–	145.3	37.4
Warrants		4	—	11	4	–	–	–
Zero Div Pf		86½	—	86¾	83¾	–	–	–
St Andrew	N☐	328xd	—	343	290	3.0	337.6	2.6

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

MERCHANT BANKS

OIL EXPLORATION & PRODUCTION

OIL EXPLORATION & PRODUCTION - Cont.

OIL, INTEGRATED

OTHER FINANCIAL

OTHER SERVICES & BUSINESSES

PHARMACEUTICALS

PRINTING, PAPER & PACKAGING

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

TRANSPORT - Cont.

WATER

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	+ or -	1994 high	1994 low	Mkt Cap £m	Yld Gr's	P/E
Tiger Oats	†	600	—	838	538	802.2	2.0	12.7
Tongaat-Hulett	b	583	—	*616½	350¼	623.6	2.2	16.2

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ☐ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Figures or report awaited
- ♦ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ✤ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) UK & Irish incorporated non-listed companies.
- § Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♦ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on MMR 'Headline Earnings'
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xc ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1225 a year for each security shown, subject to the Editor's discretion

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FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

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Call 071-873 4378 (+44 71 873 4378, International) for more information on FT Cityline.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro SS

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (♠) - 1401 to 1700 hours; (♣) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

SS Life Assurance and Unit Trust Regulatory Organisation,
Centre Point,
103 New Oxford Street, London WC1A 1QH
Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

OTHER UK UNIT TRUSTS

INSURANCES

FT MANAGED FUNDS SERVICE

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Scottish Mutual Assurance plc - Contd.

Scottish Provident Group

8 St Andrew Sq, Edinburgh 031-556 2852

Scottish Provident Institution Funds

Life Funds

Skandia Life Assurance Co Ltd

Standard Life Assurance Company

Sun Alliance Group

Sun Life Unit Assurance Ltd

St James Barton, Bristol BS99 7SL 0272 426911

Sun Life Pensions Management Ltd

Swiss Life (UK) PLC

101 London Rd, Sevenoaks 0732 450161

TSB Life Ltd

Target Life Assurance Co Ltd

Tunbridge Wells Equitable

Wesleyan Assurance Society

Windsor Life Assur Co Ltd

Woolwich Life Assurance Co Ltd

Zurich Life Assurance Co Ltd

OFFSHORE INSURANCES

AXA Equity & Law Intl Life Assce Co

Albany International Assurance Ltd

Barclays International Assurance Ltd

Canada Life

CU Insurance Co Ltd

Century Life International Ltd

Century Life International Ltd - Contd.

Eagle Star Intl Life

Equitable Life (International)

Fidelity Investments Life Insurance

Friends Provident International

Gartmore International

Isle of Man Assurance Ltd

Laurentian International Group

Professional Investment Consultants

Providence Capital International Ltd

Royal Life International

Royal Skandia Life Assurance Co Ltd

Scottish Provident Intl Life Ass Ltd

Sun Alliance International Life

Sun Life International (IOM) Ltd

MANAGEMENT SERVICES

Capital Trust Financial Management

Citibank Life

DBS Financial Management Ltd

Foster & Braithwaite

Johnson Fry Asset Managers Plc

Charles Stanley & Co Ltd

J. D. Ward Financial Services Ltd

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Money Funds

Jupiter Tyndall (Bermuda) Ltd

GUERNSEY (SIB RECOGNISED)

AIB Investment Managers (Guernsey) Ltd

Lazard Fund Mngrs (Channel Islands) Ltd

Lloyds Intl Money Market Fund Ltd

M & G (Guernsey) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

Royal Bk of Canada O/S Fd Mgrs Ltd

GUERNSEY (REGULATED)(**)

ANZ Mngmt Co (Guernsey) Ltd

Apollo Investment Management Ltd

Arab Bank Fund Managers (Guernsey) Ltd

Bankers Trust Investment Mgmt (Guernsey) Ltd

CIBC Fund Managers (Guernsey) Ltd

Guernsey Capital Management Limited

Hambros Fund Managers (C.I.) Ltd

Kleinwort Benson Intl Fd Mngrs Ltd

Lazard Fund Managers (CI) Ltd

Lloyds Bank Fund Managers (Guernsey) Ltd

Merrill Lynch Guernsey

Midas Capital Mngt (Europe) Ltd

Rothschild Asset Management (CI) Ltd

U.S. Advisors (Guernsey) Limited

U.S. Treasury Securities Fund Ltd

IRELAND (SIB RECOGNISED)

BT Fund Managers (Ireland) Ltd

Coutts & Co Fund Managers Limited

Dresdner Intl Management Services Ltd

Gandalf Intl Trust Managers (Ireland) Ltd

Federated International Funds Plc

GAM Fund Management Ltd

GT Management (Ireland) Ltd

Old Mutual International Fd Mngrs Ltd

Quilter Investment Fund Mngrs (Ireland) Ltd

Swiss Life Investment Fund - Prelyam

IRELAND (REGULATED)(**)

AIB Fund Management Ltd

Bank of Ireland

Baring Mutual Fund Mngt (Ireland) Ltd

Chemical Ireland Fund Administrators Ltd

Frank Russell Investments (Ireland) Ltd

Kleinwort Benson Bond Arbitrage Fund Plc

Kleinwort Benson Capital Mngt (Ireland) Ltd

Morgan Grenfell Emerging Markets Fund Plc

Morgan Grenfell Fund Mngrs (Ireland) Ltd

Paine Webber Offshore Funds Plc

Ulster Bank Investment Services

Yellow Sea Investment Company PLC

ISLE OF MAN (SIB RECOGNISED)

AXA Equity & Law Intl Fund Mngrs

Asset Global Funds Ltd

ISLE OF MAN (REGULATED)(**)

ATC Fund Management Ltd

AXA Equity & Law Intl Fund Mgrs

JERSEY (SIB RECOGNISED)

AIB Fund Managers (CI) Ltd

Barclays International Funds

Gartmore Fund Mngrs Intl Ltd

Lloyds Bank (CI) U/T Mgrs.

Midland Bank Fund Managers (Jersey) Ltd

Prudential Fund Managers (Jersey) Ltd

Royal Bank of Canada (Jsy) Fd Mgt Ltd

Standard Bank Fund Mgmt (Jersey) Ltd

TSB Trust Funds (CI)

JERSEY (REGULATED)(**)

Barclays Intl Funds

Citibank (CI) Ltd "Citifunds"

Coutts & Co (Jersey) Fund Managers Ltd

Jardine Fleming (Jersey) Ltd

Jupiter Tyndall (Jersey) Ltd

Lombard Odier (Jersey) Ltd

Royal Bank of Canada Intl Fd Mgt Ltd

Royal Bk of Scotland Fd Mgrs (Jersey) Ltd

Warburg Asset Management Jersey Ltd

FT MANAGED FUNDS SERVICE

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Worldinvest (Managers) Jersey Ltd

LUXEMBOURG (SIB RECOGNISED)

ABN AMRO Funds

LUXEMBOURG (REGULATED)(**)

OTHER OFFSHORE FUNDS

Quantum Group

Royal Bank of Canada Intl Money Market Fd

MANAGED FUNDS NOTES

CURRENCIES AND MONEY

MARKETS REPORT

EU talk helps D-Mark

The weak dollar and renewed focus on the outlook for European monetary union yesterday boosted the D-Mark, *writes Philip Gawith.*

Recent discussion ebout e multi-tier Europe, the meeting of the EU monetary committee, and comments from senior politicians and bankers, all encouraged investors to ewitch from other European currencles to the D-Mark.

The German currency closed in London at L1,016 against the Italian lira, from L1,011, and et FFr3.428, from FFr3.426, against the French franc.

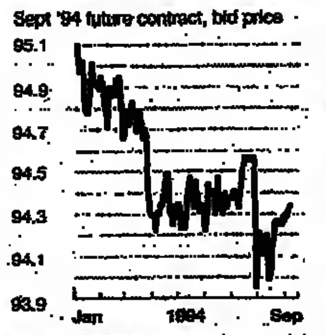
The dollar was also a victim of the D-Mark, showing no sign of bucking its recent weakness. It closed a pfennig lower in London et DM1.5426, from DM1.5537. Against the yen it finished et Y98.695 from Y99.25.

The Bank of Japan's quarterly Tankan survey of the economy provided no support for the dollar, despite showing an acceleration of the economic recovery. Some analysts had predicted that economic growth would help the dollar, by curbing Japan's trade and current account surpluses.

Sterling finished 1¼ pfennigs down against the D-Mark, at DM2.3904, but was firmer against the dollar, closing at $1.5496 from $1.5481.

Sterling

Sept '94 future contract, bid price



Source: FT Graphite

■ **Pound in New York**

Sep 6	— Latest —	— Prev. close —
£ spot	1.5485	1.5475
1 mth	1.5482	1.5473
3 mth	1.5466	1.5466
1 yr	1.5343	1.5329

■ Analysts said that the events of the past few days had reminded the market that, at least among the political classes, the idea of European monetary union was still alive.

The EU monetary committee yesterday discussed a European commission report, recommending thet 10 out of 12 member states take action to put their finances in order.

Mr Theo Waigel, the German finance minister, addressed the German parliament on the same issue, telling members that Germany would ensure the Maastricht treaty's provisions on financial discipline "are strictly observed."

Mr Tim Stewart, currency strategist at Morgan Stanley, commented: "This has highlighted the pressure on second tier countries to tow the line on policy. Markets are starting to tier currencies and assets, punishing countries which don't adopt convergent economic policies."

Analysts said talk about a multi-speed Europe had re-instilled confidence in the core currencies. The concern is that countries which drop ont of the core will be under less pressure to pursue virtuous economic policies.

One interesting development outside of the EU was the announcement by Ann Wibble, the Swedish finance minister, that her Liberal party would join a coalition with right or left-wing parties in order to ensure a majority government.

The Swedish krona lost ground on Monday when opinion polls suggested that ths opposition SDP might not win an outright majority in the September 18 elections, as previously suggested.

Mr Stewart, howsver, suggested that the prospect of an SDP in alliance with a centrist party like the Liberals was probably preferable to it winning an outright majority. "It would take some of the heat off the SDP in terms of dealing with the left of their own party," he said.

■ The Tankan report sent a clear message that the Japanese economy is recovering quite rapidly. The key diffusion index rose to -39 from -50 in the second quarter. This was better than Japanese companies themselves had predicted three months ago, suggesting a quicker than anticipated pick-up in demand.

Mr Graham Turner, economist at Tokai Bank Europe, said the survey showed the Japanese economy was "withstanding Y99 very well." He said the quicker than expected pick-up in world economic growth, which had helped Japanese exports, was a key engine of the upturn.

Mr Turner was sceptical about whether higher economic growth would curh Japan's trade surplus. To the contrary, he said Japan's exports were increasing across the board and forecast a "quite dramatic" increase in Japan's bilateral surplus with the US over the next 12 months.

Mr Mickey Kantor, the US trade negotiator, will hold talks today and tomorrow with Japanese ministers, but Mr Turner is sceptical whether these can help the dollar. "Trade imbalances laid the foundation for the trade talks and they are far more important than the talks."

■ Markets in the UK will be on alert in the next few days for any interest rate move arising from today's monthly monetary meeting. The balance of opinion has shifted away from an early policy tightening, reflected in money market rates which have barely moved in recent weeks. Three month sterling LIBOR continued to trade at 5½ per cent.

In the futures markets September and December short sterling contracts both benefited from the "convergence argument" - that futures market rates must converge on cash rates, as contracts near expiry. The September contract closed at 94.34 from 94.32. The contract expires on September 21. Weaker gilt prices depressed the longer dated contracts.

In its daily money market operations the Bank of England cleared a £400m shortage by providing £424m liquidity at established rates.

■ **OTHER CURRENCIES**

Sep 6	£	$
Hungary	165.129 - 165.380	106.590 - 106.690
Iran	2698.00 - 2698.60	1748.00 - 1750.00
Kuwait	0.4610 - 0.4622	0.2978 - 0.2982
Poland	35414.7 - 35479.5	22860.0 - 22880.0
Russia	3457.18 - 3472.65	2231.00 - 2241.00
U.A.E.	5.6685 - 5.7000	3.6715 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

Sep 6		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	16.8295	-0.093	212 - 377	16.9006	16.8049	16.8251	0.3	16.8133	0.4	-	-	115.5
Belgium	(BFr)	49.2835	-0.2774	491 - 179	49.4730	49.2200	49.2485	0.9	49.2985	-0.1	49.0785	0.4	117.1
Denmark	(DKr)	9.4581	-0.0293	841 - 821	9.4929	9.4506	9.4653	-0.9	9.4849	-1.1	9.5192	-0.6	116.7
Finland	(FM)	7.7781	-0.047	683 - 878	7.8120	7.7530	-	-	-	-	-	-	84.2
France	(FFr)	8.1946	-0.0456	911 - 980	8.2320	8.1840	8.1982	-0.5	8.1989	-0.2	8.1819	0.4	110.8
Germany	(DM)	2.3904	-0.0148	890 - 917	2.4033	2.3867	2.3904	0.0	2.3877	0.5	2.3599	1.3	126.7
Greece	(Dr)	363.924	-1.803	697 - 250	365.438	362.603	-	-	-	-	-	-	-
Ireland	(I£)	1.0114	+0.0009	108 - 119	1.0122	1.0058	1.0118	-0.5	1.0133	-0.7	1.019	-0.7	104.0
Italy	(L)	2429.58	-1.63	876 - 040	2433.00	2423.06	2436.58	-3.5	2449.08	-3.2	2510.58	-3.3	75.2
Luxembourg	(LFr)	49.2835	-0.2774	491 - 179	49.4730	49.2200	49.2485	0.9	49.2985	-0.1	49.0785	0.4	117.1
Netherlands	(Fl)	2.6823	-0.0194	812 - 834	2.6957	2.6764	2.6824	-0.1	2.6795	0.4	2.6477	1.3	121.1
Norway	(NKr)	10.5122	-0.044	079 - 164	10.5505	10.4908	10.5092	0.3	10.5167	-0.3	10.5057	0.1	96.4
Portugal	(Es)	244.682	-0.886	464 - 900	245.429	244.290	245.412	-8.5	249.582	-8.0	-	-	-
Spain	(Pta)	199.240	-0.784	150 - 330	199.931	199.150	199.68	-2.7	200.505	-2.5	203.26	-2.0	85.8
Sweden	(SKr)	11.8138	-0.0688	049 - 228	11.9132	11.8049	11.8353	-2.2	11.8858	-2.4	12.1063	-2.5	74.0
Switzerland	(SFr)	2.0039	-0.0179	028 - 049	2.0197	2.0028	2.0025	0.8	1.9961	1.2	1.9658	1.9	122.2
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	78.5
Ecu	-	1.2548	-0.0059	543 - 555	1.2609	1.2537	1.2556	-0.7	1.2582	-0.4	1.2569	-0.1	-
SDR†	-	0.941157	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5488	+0.0023	481 - 491	1.5498	1.5429	-	-	-	-	-	-	-
Brazil	(R)	1.3683	-0.0067	664 - 702	1.3785	1.3654	-	-	-	-	-	-	-
Canada	(C$)	2.1197	+0.007	187 - 206	2.1213	2.1071	2.119	0.4	2.1192	0.1	2.1191	0.0	86.5
Mexico	(New Peso)	5.2633	+0.0278	580 - 685	5.2685	5.2342	-	-	-	-	-	-	-
USA	($)	1.5496	+0.0015	492 - 500	1.5510	1.5440	1.5493	0.2	1.5477	0.5	1.5348	1.0	62.5
Pacific/Middle East/Africa													
Australia	(A$)	2.0931	-0.0005	918 - 943	2.0957	2.0827	2.093	0.0	2.0944	-0.2	2.1126	-0.9	-
Hong Kong	(HK$)	11.9747	+0.0117	708 - 786	11.9850	11.9320	11.9708	0.4	11.9697	0.2	11.9767	0.0	-
India	(Rs)	48.6110	+0.0487	945 - 274	48.6510	48.5945	-	-	-	-	-	-	-
Japan	(Y)	152.938	-0.705	844 - 032	153.360	152.300	152.628	2.4	151.743	3.1	147.098	3.8	189.9
Malaysia	(M$)	3.9564	+0.0058	546 - 582	3.9582	3.9387	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.5671	+0.0015	653 - 688	2.5700	2.5598	2.571	-1.8	2.5788	-1.8	2.6011	-1.3	-
Philippines	(Peso)	40.7933	+0.0408	116 - 750	41.0750	40.5118	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.8117	+0.0058	100 - 134	5.8167	5.7909	-	-	-	-	-	-	-
Singapore	(S$)	2.3240	+0.0022	230 - 250	2.3250	2.3151	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.5294	-0.0014	268 - 320	5.5390	5.5127	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	7.0042	-0.0007	869 - 215	7.0042	6.9869	-	-	-	-	-	-	-
South Korea	(Won)	1241.85	+1.83	137 - 233	1242.82	1237.05	-	-	-	-	-	-	-
Taiwan	(T$)	40.6996	+0.0627	813 - 179	40.8284	40.4111	-	-	-	-	-	-	-
Thailand	(Bt)	38.6935	+0.0286	680 - 190	38.7190	38.6680	-	-	-	-	-	-	-

†SDR rates for Sep 2. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Sep 6		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan index
Europe													
Austria	(Sch)	10.8805	-0.071	580 - 830	10.9300	10.8570	10.8805	0.0	10.8803	0.0	10.7865	0.7	-
Belgium	(BFr)	31.8040	-0.211	000 - 180	32.0000	31.7750	31.829	-0.9	31.844	-0.5	31.964	-0.5	-
Denmark	(DKr)	6.1036	-0.025	026 - 046	6.1433	6.1008	6.1101	-1.3	6.1311	-1.8	6.2096	-1.7	-
Finland	(FM)	5.0194	-0.0354	144 - 244	5.0500	5.0124	5.0194	0.0	5.0269	-0.6	5.0894	-1.4	-
France	(FFr)	5.2882	-0.0348	873 - 890	5.3245	5.2840	5.2911	-0.7	5.2974	-0.7	5.2577	0.6	-
Germany	(D)	1.5426	-0.0111	421 - 430	1.5545	1.5411	1.5428	-0.2	1.5429	-0.1	1.5369	0.3	-
Greece	(Dr)	234.850	-1.4	700 - 000	238.000	234.300	235.15	-1.5	235.825	-1.7	238.625	-1.6	-
Ireland	(I£)	1.5322	+0.0002	317 - 326	1.5369	1.5301	1.5311	0.8	1.5272	1.3	1.5057	1.7	-
Italy	(L)	1567.88	-2.82	775 - 800	1572.80	1565.70	1572.43	-3.5	1582.88	-3.8	1638.88	-4.5	-
Luxembourg	(LFr)	31.8040	-0.211	900 - 180	32.0000	31.7750	31.829	-0.9	31.844	-0.5	31.964	-0.5	-
Netherlands	(Fl)	1.7310	-0.0123	307 - 312	1.7430	1.7289	1.7313	-0.2	1.7314	-0.1	1.7272	0.2	-
Norway	(NKr)	6.7838	-0.0352	828 - 848	6.8282	6.7806	6.7863	-0.4	6.7968	-0.9	6.7158	1.0	-
Portugal	(Es)	157.900	-0.73	800 - 000	158.550	157.770	158.85	-7.2	160.625	-6.8	167.9	-6.3	-
Spain	(Pta)	128.575	-0.635	550 - 600	129.220	128.550	128.88	-2.8	129.51	-2.9	132.505	-3.1	-
Sweden	(SKr)	7.6238	-0.0521	200 - 275	7.7108	7.6181	7.6433	-3.1	7.6838	-3.1	7.8938	-3.5	-
Switzerland	(SFr)	1.2932	-0.0129	928 - 935	1.3064	1.2920	1.2925	0.6	1.291	0.7	1.2814	0.9	-
UK	(£)	1.5496	+0.0015	492 - 500	1.5510	1.5440	1.5493	0.2	1.5477	0.5	1.5348	1.0	-
Ecu	-	1.2349	+0.0071	346 - 351	1.2348	1.2265	1.234	0.8	1.2321	0.9	1.2245	0.8	-
SDR†	-	1.45184	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9994	+0.0005	993 - 994	0.9994	0.9993	-	-	-	-	-	-	-
Brazil	(R)	0.8830	-0.0085	820 - 840	0.8860	0.8820	-	-	-	-	-	-	-
Canada	(C$)	1.3679	+0.0031	676 - 681	1.3683	1.3633	1.3685	-0.5	1.3702	-0.7	1.3834	-1.1	-
Mexico	(New Peso)	3.3965	+0.0145	940 - 990	3.3990	3.3940	3.3975	-0.4	3.3993	-0.3	3.4067	-0.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	-
Pacific/Middle East/Africa													
Australia	(A$)	1.3508	-0.0018	503 - 512	1.3532	1.3473	1.3511	-0.2	1.3516	-0.3	1.3581	-0.6	-
Hong Kong	(HK$)	7.7278	-0.0002	271 - 281	7.7281	7.7271	7.7274	0.0	7.7281	0.0	7.7431	-0.2	-
India	(Rs)	31.3700	-	725 - 675	31.3725	31.3675	31.455	-3.3	31.6	-2.9	-	-	-
Japan	(Y)	98.6950	-0.555	600 - 300	99.1900	98.5300	98.485	2.6	98.055	2.6	95.82	2.9	-
Malaysia	(M$)	2.5532	+0.0012	527 - 537	2.5540	2.5495	2.544	4.3	2.5327	3.2	2.6082	-2.1	-
New Zealand	(NZ$)	1.6588	-0.0007	558 - 573	1.6584	1.6559	1.6575	-0.7	1.6594	-0.7	1.6647	-0.5	-
Philippines	(Peso)	26.3250	-	500 - 000	26.5000	26.1500	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	+0.0001	503 - 506	3.7508	3.7503	3.7518	-0.4	3.7559	-0.6	3.7745	-0.6	-
Singapore	(S$)	1.4998	-	995 - 000	1.5000	1.4950	1.4984	1.1	1.4965	0.8	1.4896	0.7	-
S Africa (Com.)	(R)	3.5683	-0.0045	675 - 690	3.5835	3.5635	3.5838	-5.2	3.6121	-4.9	3.6888	-3.4	-
S Africa (Fin.)	(R)	4.5200	-0.005	100 - 300	4.5300	4.5100	4.5537	-9.0	4.6125	-8.2	-	-	-
South Korea	(Won)	801.400	+0.25	300 - 500	801.500	801.100	804.4	-4.5	807.9	-3.2	828.4	-3.1	-
Taiwan	(T$)	26.2000	+0.0142	950 - 050	26.2050	26.1720	26.22	-0.9	26.28	-0.9	-	-	-
Thailand	(Bt)	24.9700	-0.0085	600 - 800	24.9800	24.9600	25.0425	-3.5	25.17	-3.2	25.65	-2.7	-

†SDR rate for Sep 2. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Sep 5. Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Sep 6		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.19	16.63	4.850	2.052	4929	5.442	21.33	496.6	404.2	23.97	4.067	2.029	4.300	3.148	310.3	2.547
Denmark	(DKr)	52.10	10	8.664	2.527	1.069	2568	2.836	11.11	258.7	210.6	12.49	2.118	1.057	2.240	1.638	161.7	1.327
France	(FFr)	60.14	11.54	10	2.917	1.234	2964	3.273	12.83	298.6	243.1	14.41	2.446	1.220	2.586	1.890	186.6	1.532
Germany	(DM)	20.62	3.957	3.428	1	0.423	1016	1.122	4.397	102.4	83.35	4.941	0.838	0.418	0.887	0.648	63.97	0.525
Ireland	(I£)	48.74	9.355	8.105	2.364	1	2403	2.653	10.40	242.0	197.0	11.68	1.982	0.989	2.096	1.532	151.2	1.241
Italy	(L)	2.029	0.389	0.337	0.098	0.042	100.	0.110	0.433	10.07	8.201	0.486	0.083	0.041	0.087	0.064	6.295	0.052
Netherlands	(Fl)	18.37	3.526	3.055	0.891	0.377	905.7	1	3.918	91.24	74.27	4.403	0.747	0.373	0.790	0.578	57.01	0.468
Norway	(NKr)	46.89	8.999	7.796	2.274	0.962	2311	2.552	10	232.8	189.5	11.24	1.907	0.951	2.016	1.474	145.5	1.194
Portugal	(Es)	20.14	3.865	3.349	0.977	0.413	992.6	1.096	4.295	100.	81.41	4.826	0.818	0.409	0.866	0.633	62.48	0.513
Spain	(Pta)	24.74	4.748	4.113	1.200	0.508	1218	1.346	5.276	122.8	100.	5.929	1.006	0.502	1.064	0.778	76.76	0.630
Sweden	(SKr)	41.73	8.008	6.938	2.024	0.856	2057	2.271	8.899	207.2	168.7	10	1.697	0.847	1.794	1.312	129.5	1.063
Switzerland	(SFr)	24.59	4.720	4.089	1.193	0.504	1212	1.338	5.245	122.1	99.40	5.893	1	0.499	1.057	0.773	76.30	0.626
UK	(£)	49.28	9.456	8.194	2.390	1.011	2429	2.682	10.51	244.7	199.2	11.81	2.004	1	2.119	1.549	152.9	1.255
Canada	(C$)	23.26	4.463	3.867	1.128	0.477	1146	1.266	4.960	115.5	94.01	5.573	0.946	0.472	1	0.731	72.16	0.592
US	($)	31.81	6.106	5.290	1.543	0.653	1568	1.731	6.785	158.0	128.6	7.624	1.294	0.646	1.368	1	98.71	0.810
Japan	(Y)	322.3	61.86	53.59	15.63	6.612	15886	17.54	68.74	1600	1303	77.24	13.11	6.540	13.86	10.13	1000.	8.206
Ecu		39.27	7.536	6.529	1.904	0.806	1935	2.137	8.375	195.0	158.7	9.410	1.597	0.797	1.688	1.234	121.8	1

Yen per 1,000; Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.6434	0.6482	+0.0056	0.6486	0.6434	49,170	99,307
Dec	0.6440	0.6482	+0.0055	0.6487	0.6440	3,058	18,521
Mar	-	0.6480	-	0.6480	-	21	2,918

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	1.0107	1.0138	+0.0035	1.0162	1.0093	23,560	57,758
Dec	1.0149	1.0202	+0.0034	1.0217	1.0149	3,563	12,330
Mar	-	1.0275	-	1.0275	-	14	1,765

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.7699	0.7734	+0.0062	0.7735	0.7666	22,705	35,175
Dec	0.7674	0.7745	+0.0060	0.7749	0.7674	1,714	8,235
Mar	0.7760	0.7760	+0.0074	0.7760	0.7760	1	59

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	1.5464	1.5486	+0.0026	1.5492	1.5460	13,960	34,571
Dec	1.5444	1.5480	+0.0024	1.5432	1.5432	1,097	3,069
Mar	-	1.5440	-	1.5440	-	3	183

EMS EUROPEAN CURRENCY UNIT RATES

Sep 6	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.19672	2.14260	-0.00998	-2.46	6.11	-
Germany	1.94964	1.91028	-0.00354	-2.02	5.63	-
Belgium	40.2123	39.3678	-0.0378	-2.10	5.72	15
Ireland	0.808628	0.806645	+0.003557	-0.25	3.75	2
France	6.53883	6.54935	-0.00416	0.16	3.33	-1
Portugal	192.854	195.467	-0.005	1.35	2.12	-9
Denmark	7.43679	7.55827	-0.00065	1.63	1.84	-11
Spain	154.250	159.648	+0.51	3.50	0.00	-24
NON ERM MEMBERS						
Greece	264.513	290.847	-0.214	9.88	-5.81	-
Italy	1793.19	1942.08	+10.47	8.30	-4.44	-
UK	0.786749	0.799241	+0.003672	1.59	1.88	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	CALLS Sep	CALLS Oct	CALLS Nov	PUTS Sep	PUTS Oct	PUTS Nov
1.450	9.64	9.52	9.50	-	-	0.05
1.475	7.15	7.14	7.22	-	0.02	0.20
1.500	4.64	4.94	5.12	-	0.21	0.57
1.525	2.33	2.85	3.32	0.10	0.70	1.25
1.550	0.50	1.42	1.88	0.84	1.71	2.34
1.575	0.06	0.57	1.05	2.71	3.30	3.84

Previous day's vol., Calls N/A Puts N/A . Prev. day's open int., Calls N/A Puts N/A

WORLD INTEREST RATES

MONEY RATES

September 6	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
[illegible]								

■ **$ LIBOR FT London Interbank Fixing** [illegible]

EURO CURRENCY INTEREST RATES

Sep 6	Short term	7 days notice	One month	Three months	Six months	One year
[illegible]						

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris interbank offered rate [illegible]

■ **THREE MONTH EURODOLLAR** (LIFFE) $1m points of 100% [illegible]

■ **THREE MONTH EUROMARK FUTURES** (LIFFE) DM1m points of 100% [illegible]

■ **THREE MONTH EUROLIRA INT.RATE FUTURES** (LIFFE) L1000m points of 100% [illegible]

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100% [illegible]

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100% [illegible]

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100% [illegible]

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100% [illegible]

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100% [illegible]

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100% [illegible]

UK INTEREST RATES

LONDON MONEY RATES

Sep 6	Over-night	7 days notice	One month	Three months	Six months	One year
[illegible]						

UK clearing bank base lending rate 5¼ per cent from February 8, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	1½	4	3¾	3¾	3½

Certs of Tax dep. under £100,000 is 1½pc. Deposits withdrawn for cash ½pc.
Ave. tender rate of discount 5.3568pc. ECGD fixed rate Stg. Export Finance. Make up day Aug 31, 1994. Agreed rate for period Sep 26, 1994 to Oct 25, 1994, Schemes II & III 6.62pc. Reference rate for period July 30, 1994 to Aug 31, 1994, Schemes IV & V 5.578pc. Finance House Base Rate 5½pc from Sep 1, 1994

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.33	94.34	+0.02	94.38	94.31	10943	87319
Dec	93.42	93.45	+0.03	93.50	93.40	36534	165115
Mar	92.68	92.67	-	92.73	92.65	10161	75320
Jun	92.13	92.09	-0.04	92.15	92.08	6049	53222

Traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9425	0.17	0.04	0.02	0.08	0.84	1.60
9450	0.04	0.02	0.01	0.20	1.07	1.84
9475	0	0	0	0.41	1.30	2.08

Est. vol. total, Calls 2222 Puts 4217. Previous day's open int., Calls 350581 Puts 291482

BASE LENDING RATES

	%		%		%
Adam & Company	5.25	Duncan Lawrie	5.25	*Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	8
Allied Trust Bank	5.25	Exeter Bank Limited	6.25	Royal Bk of Scotland	5.25
AIB Bank	5.25	Financial & Gen Bank	6	●Smith & Williman Secs.	5.25
●Henry Ansbacher	5.25	●Robert Fleming & Co	5.25	TSB	5.25
Bank of Baroda	5.25	Girobank	5.25	●United Bk of Kuwait	5.25
Banco Bilbao Vizcaya	5.25	●Guinness Mahon	5.25	Unity Trust Bank Plc	5.25
Bank of Cyprus	5.25	Habib Bank AG Zurich	5.25	Western Trust	5.25
Bank of Ireland	5.25	●Hambros Bank	5.25	Whiteaway Laidlaw	5.25
Bank of India	5.25	Heritable & Gen Inv Bk.	5.25	Yorkshire Bank	5.25
Bank of Scotland	5.25	●Hill Samuel	5.25		
Barclays Bank	5.25	C. Hoare & Co	5.25	● Members of London Investment Banking Association	
Brit Bk of Mid East	5.25	Hongkong & Shanghai.	5.25	* In administration	
●Brown Shipley & Co Ltd	5.25	Julian Hodge Bank	5.25		
Cl. Bank Nederland	5.25	●Leopold Joseph & Sons	5.25		
Citibank NA	5.25	Lloyds Bank	5.25		
Clydesdale Bank	5.25	Meghraj Bank Ltd	5.25		
The Co-operative Bank	5.25	Midland Bank	5.25		
Coutts & Co	5.25	* Mount Banking	8		
Credit Lyonnais	5.25	NatWestminster	5.25		
Cyprus Popular Bank	5.25	●Rea Brothers	5.25		

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

NOTES - Gross: Contracted rate of interest payable, not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year. 'Compounded Annual Rate' Int Cr: Frequency at which interest is credited to the account.

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Sep 6 / Sch)

BELGIUM/LUXEMBOURG (Sep 6 / Frs.)

DENMARK (Sep 6 / Kr)

FINLAND (Sep 6 / Mks)

FRANCE (Sep 6 / Frs.)

GERMANY (Sep 6 / Dm.)

ITALY (Sep 6 / Lire)

NETHERLANDS (Sep 6 / Fls.)

NORWAY (Sep 6 / Kroner)

SPAIN (Sep 6 / Pts.)

SWEDEN (Sep 6 / Kronor)

SWITZERLAND (Sep 6 / Frs.)

PACIFIC

JAPAN (Sep 6 / Yen)

AUSTRALIA (Sep 6 / Aus$)

HONG KONG (Sep 6 / H.K.$)

MALAYSIA (Sep 6 / MYR)

SINGAPORE (Sep 6 / S$)

NORTH AMERICA

CANADA

TORONTO (Sep 6 / Can $)

4 pm close

MONTREAL (Sep 6 / Can $)

4 pm close

AFRICA

SOUTH AFRICA (Sep 6 / Rand)

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1994, except Toronto & Montreal (daily). § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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■ TOKYO - MOST ACTIVE STOCKS: Tuesday, September 6, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel	7.1m	372	-5	Nippon Paper	2.7m	751	+4
Sumitomo Mtl	5.8m	330	-10	Kawasaki Steel	2.8m	424	-6
Hanwa	3.5m	405	-11	Oki Electric	2.5m	785	-9
Nitsuko	3.4m	1500	-30	Sanyo Electric	2.1m	575	-1
Mitsub Gas Chem	3.2m	522	+2	Mitsubishi Oil	2.0m	1110	+10

INDICES

	Sep 6	Sep 5	Sep 2	1994 High		1994 Low	
Italy							
Banca Comm Ital (1972)	662.99	673.24	685.03	817.17	10/5	586.85	10/1
MIB General (4/1/94)	1072.0	1086.0	1107.0	1318.09	10/5	994.00	10/1
Japan							
Nikkei 225 (16/5/49)	20393.98	20409.18	20653.83	21552.81	13/6	17369.74	4/1
Nikkei 300 (1/10/82)	293.87	295.07	298.37	311.71	13/6	259.22	4/1
Topix (4/1/68)	1613.15	1618.46	1641.14	1712.73	13/6	1445.97	4/1
2nd Section (4/1/68)	2359.14	2384.41	2405.05	2542.85	6/7	1673.33	4/1
Malaysia							
KLSE Comp.(4/4/86)	1172.24	1159.51	1160.88	1314.46	5/1	929.33	4/4

** Sat Sep 3 : Taiwan Weighted Price 6951.25; Korea Comp Ex 947.88. Base values of all indices are 100 except: Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 26 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ◆ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Sep 5 - 2158.07 -15.88

US INDICES

Dow Jones	Sep 2	Sep 1	Aug 31	1994 High	1994 Low	Since compilation High	Since compilation Low
Industrials	3885.58	3901.44	3913.42	3978.36 (31/1)	3593.35 (4/4)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	98.18	98.04	98.17	105.61 (21/1)	96.43 (13/5)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1627.98	1633.48	1642.22	1862.29 (2/2)	1546.02 (20/4)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	184.55	185.67	189.16	227.86 (3/1)	176.71 (24/6)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3928.64 (3927.98) Low 3871.96 (3871.86) (Theoretical♣)
Day's high 3916.92 (3913.42) Low 3880.72 (3887.84) (Actual♣)

Standard and Poors	Sep 2	Sep 1	Aug 31	1994 High	1994 Low	Since compilation High	Since compilation Low
Composite ‡	470.99	473.17	475.49	482.00 (2/2)	438.92 (4/4)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials¥	553.27	555.93	558.10	569.69 (2/2)	510.05 (21/4)	580.59 (2/2/94)	3.62 (21/6/32)
Financial	46.10	46.36	46.59	46.94 (14/6)	41.39 (4/4)	48.40 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	259.93	260.96	261.99	267.71 (2/2)	243.14 (4/4)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	455.54	454.02	454.34	487.90 (2/2)	422.67 (29/6)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	759.23	758.95	765.62	803.93 (18/3)	693.79 (24/6)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	Sep 2	Aug 26	Aug 19	Year ago
Dow Jones Ind. Div. Yield	2.63	2.64	2.73	2.80
	Aug 31	Aug 24	Aug 17	Year ago
S & P Ind. Div. yield	2.38	2.37	2.43	2.46
S & P Ind. P/E ratio	21,11	20.73	23.51	27.86

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	471.55	470.80	-0.75	471.55	470.65	82,269	172,960
Dec	-	474.05	-	-	-	17,128	74,968
Mar	-	477.15	-	-	-	244	4,500

Open interest figures are for previous day.

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Sep	1993.0	1956.0	-39.0	1998.0	1966.0	22,837	39,218
Oct	2002.0	1976.0	-39.0	2002.0	1990.5	-	3,220
Dec	2021.0	1995.5	-	2025.0	1999.0	43	9,950

Open interest figures for previous day.

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
RJR Nabisco	3,890,500	6⅝	—
Limited	3,574,800	21⅝	+1
Amer Express	3,009,300	29	+½
Amer Barrick	2,891,400	23⅞	+¾
Philip Morris	2,718,100	60¼	-½
Compaq	2,278,800	35	—
Lilco	2,231,100	16¼	-¾
Niag Mohawk	2,169,000	13¾	—
Dry Pets	2,056,900	21½	—
Amer T & T	2,029,200	29⅝	-⅛

■ TRADING ACTIVITY

● Volume (million)	Sep 2	Sep 1	Aug 31
New York SE	213.683	280.443	357.592
Amex	13.897	14.528	18.826
NASDAQ	294.767	294.767	293.789
NYSE			
Issues Traded	2,829	2,873	2,873
Rises	940	844	1,216
Falls	1,068	1,298	948
Unchanged	821	731	711
New Highs	47	49	85
New Lows	26	29	18

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♣ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¥ Subject to official recalculation.

4 pm close September 6

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1994 High	1994 Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev Close
17⅞	13¼	AAR	0.40	3.7	21	114	13⅞	d13¼	13⅛	-¼
16⅞	12⅝	A L Labs A	0.16	1.1	30	432	15⅞	15⅜	15¾	-⅛
75¼	57⅞	AMP	1.00	2.3	20	1283	72¼	71⅝	72	+⅛
72¾	52⅜	AMR			153	1645	59½	58⅝	58⅞	+⅛
8	3½	ARX			13	67	4⅛	3⅞	3⅞	-⅛
58⅛	38⅝	ATX	2.00	3.9	34	1733	52	50⅞	51⅞	+1¼
31¾	25⅜	AbbotL	0.76	2.6	17	3280	30⅛	29⅝	29⅝	
14½	11⅛	Abitibi Pr	0.60	3.5	19	15	u14½	14¼	14⅛	
23⅝	17¾	ABM Ind	0.52	3.3		77	22⅝	22¾	22½	-⅛
15⅛	11⅛	Acptncein			27	161	u15⅛	13	13	-⅛
31	22⅞	ACE Ltd	0.44	1.9	28	2258	23¼	22½	22⅝	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

Continued on next page

4 pm close September 6

NYSE COMPOSITE PRICES

1994 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chge Prev. Close
Continued from previous page										
8⅞	5	Salant Cp			8	112	5½	5⅛	5⅛	+⅛
49⅞	32⅝	Sallie Mae ε	1.40	3.7	7	2303	38⅛	37⅞	38½	-⅛
13⅞	11⅞	Salomon Br	0.32	2.5		76	12⅞	12⅝	12⅝	-⅛
52¾	41½	Salomon	0.64	1.5	5	779	43	42⅝	43	+⅛
25	17½	SnDgGE x	1.52	8.0	10	13390	19½	18¾	19	-⅛
10	7½	SantaFeERs	0.16	1.7	9	541	9½	9⅜	9½	+⅛
17⅝	13½	SFeGd				2884	17½	17	17⅛	
48	31½	SantaFePac	2.80	7.8	19	28	35¾	34¾	35¾	+½
26¾	18½	SanFeP	0.19	0.4	12	8713	22⅞	815	22⅞	+⅜
26	19⅝	SaraLee x	0.64	2.9	14	4685	22⅛	21¾	21¾	-¼
50⅛	42⅛	Scana Corp x	2.82	6.3	11	106	44⅞	44⅝	44⅝	
28½	12½	Scecrp	1.00	7.5	0	7085	13⅜	13	13⅜	+⅜
40¾	31¾	ScheringP			58	255	u40⅞	40⅛	40⅞	+¼
71⅞	54½	SchrPl	2.04	2.9	10	2914	69⅜	60	69⅜	+⅜
63	50¾	Schlmb x	1.20	2.1	23	2310	57⅛	56½	56⅝	-⅜
33⅞	23¾	Schwab(C)	0.28	1.6	13	639	28	28⅝	29	
10¾	6⅛	Schweitzer			24	18	8⅝	8⅜	8½	
45	24⅞	SciAtl x	0.12	0.3	88	1706	44	43½	44	+½
16⅞	13	Scotsman	0.10	0.6	14	35	15⅞	15½	15½	-¼
69⅜	37¼	ScottP	0.80	1.2	17	1637	65⅜	64½	65⅜	-¼
28⅝	18⅝	ScuddrNAeF	0.21	8.8		121	25½	25⅛	25½	+¼
12⅝	9½	ScuddNEsF	0.10	1.5		133	10⅜	10⅜	10⅜	
18¼	13½	SeaCnB	0.70	4.1	6	5	17⅜	17¼	17	-¼
16½	14⅞	SeaC1.4625 ε	1.46	9.5		4	15½	15⅝	15⅝	
32⅝	28¼	Seagram	0.80	1.9	49	2282	32⅝	31½	31⅛	-¼
28¾	22¾	Seagull En			31	228	24¼	23⅞	24¼	+⅜
38⅛	28⅝	Sealed Air			28	884	u36⅛	33⅞	35½	-½
55⅛	42⅛	SearsR ε	1.60	3.4	7	4525	47⅝	46⅞	47½	+⅜
13¾	11¼	Seligm Sel	0.84	7.1		167	12	11¾	11¾	-¼

NASDAQ NATIONAL MARKET

4 pm close September 6

AMEX COMPOSITE PRICES

4 pm close September 6

AMERICA

Takeover talk fills gap as trading slows

Wall Street

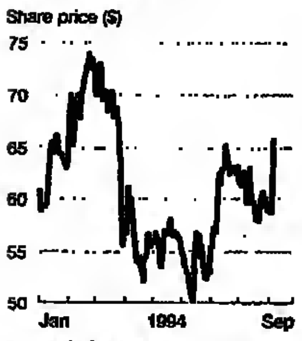
US stocks meandered in sluggish trading yesterday morning as a softer dollar inspired further weakness in bonds, *writes Frank McGurty in New York.*

By 1 pm. the Dow Jones Industrial Average was up a scant 0.33 at 3,885.91, while the more broadly based Standard & Poor's 500 was off 0.56 at 470.43.

Volume on the Big Board was light, with only 110m shares exchanged by early afternoon.

Declining issues led advances by 1,180 to 754.

Hilton Hotels



Source: FT Graphite

In the secondary markets, the American SE composite was down 0.35 at 455.19, and the Nasdaq composite slipped 1.34 to 757.89.

Stocks could not muster any forward momentum on the morning after the long Labor Day weekend.

The negative tone which had dominated Friday's session continued to hold sway, with the market still confused by the damage which had followed the release of last week's employment data.

Even though the Labor Deparment report showed much weaker-than-expected growth in payrolls last month, it also included some worrying signs of incipient inflation. That news triggered a moderate sell-off in bonds, which in turn dragged down share prices.

Yesterday, the decline in bonds showed no signs of abating. With no fresh economic figures due out until the end of the week, attention instead shifted to the foreign exchange markets, where the US currency was slipping against the yen and D-mark.

As the Treasury bonds fell anew, stocks searched in vain for any news which might lift sentiment.

Takeover speculation again helped fill the void. In the sessiou's most attention-grabbing development, shares in Hilton surged $7¾, or nearly 13 per cent, to $66¼.

A report disclosed that an investment group was seeking to buy the hotel group and split it up.

Meanwhile, an agreement by Eastman Kodak to sell its clinical diagnostics business to Johnson & Johnson for $1bn had little impact on their respective share prices. Kodak added $⅜ to $50⅞ and J & J ebed $½ to $49⅝.

Warner Lambert's appeal as a potential takeover target continued to buffet its share valuation. The issue fell $1⅜ to $82¼, although activity elsewhere in the pharmaceutical sector was cool.

Semiconductor stocks were the most active in an otherwise dormant technology group. On the NYSE, Texas Instruments dropped $1⅛ to $74⅝ while Applied Materials slumped $1 to $48¾ on the Nasdaq.

But Micron Technology added $⅛ to $39⅞, with support from a recommendation by Mr Vincent Glinski, an analyst at Fahnestock & Company.

Canada

Toronto fell in quiet midday dealings, hit by weak bonds and as the market awaited the results of the Quebec provincial elections on September 12.

The TSE 300 index was 18.85 lower at 4,325.37 at noon.

Thirteen of the market's sub-indices were lower, with only precious metals, up 113.49 or 1.1 per cent to 10,252.91, defying the downtrend.

Kinross Gold was actively bought, hardening C$⅛ to C$6⅞, while PWA put on 3 cents at 61 cents.

Brazil sees 3.9% rebound

São Paulo rebounded 3.9 per cent in midday trade as a new opinion poll showed that Mr Fernando Henrique Cardoso had retained his lead in the presideutial race, and might even win at the first round of voting on October 3.

The market had plunged by 10.5 per cent on Monday amid worries that Mr Cardoso's candidature would be damaged in the wake of the resignation of Mr Rubens Ricupero as the economy minister.

The Bovespa index was up 1,897 to 49,937 at 1300 local time after publication of the poll, conducted after Mr Ricupero's resignation. Volume came to R$254.2m ($287.2m).

In New York, however, Goldman Sachs lowered its weighting in Brazilian stocks to neutral from overweight, on the view that Mr Cardoso was unlikely to succeed in the election in the first round, although it still expected him to win the presidency.

S Africa rally goes on

Gold shares again led Johannesburg higher, as fears of profit-taking after recent gains proved nnfounded.

Demand fur commodity-based stocks was seen from local and offshore investors in strong trade, with rises underpinned by institutional reluctance to invest in gilts and a consequent flow of fonds towards equities.

The decision by striking motor assembly workers to return to work from today continued to support the industrial market.

The gold shares index climbed 49 to 2,502, bringing the gain since the start of business oo Friday to 170 points. Indnstrials collected 54 at 6,662 and the overall index was 53 higher at 6,009.

De Beers picked up R2.75 at R109.75 but Anglos lost R1 at R259, while JCI advanced R3 to R119 ahead of results.

Iscor strengthened 12 cents to a fresh high of R4.60.

EUROPE

Dollar, bond weakness take bourses down again

The prevailing theme of this year's sickly but still expensive European equity markets reasserted itself yesterday as the dollar and bond markets weakened again, and bourses shuddered in their wake, *writes Our Markets Staff.*

Professionals had been expecting a shift in transmission, from interest rates to fundamentally driven markets, said a senior trader in Frankfurt yesterday. But while some company results, such as those of Daimler and the Big Three chemicals, had been adequate, the German corporate sector was still stuck with weak profits performance from its financials, and the ongoing weakness in bonds was not making the latter any more attractive.

FRANKFURT's moments of truth came in the last hour of Ibis trading. The DAX index fell only 8.62 to 2,165.90 on the session, and held that general level for a good part of the afternoon.

However, dealers were watching the September bund future in the last half-hour of Ibis trading, as it broke through 90 on the downside to hit 89.99, recovered to 90 flat and then subsided again to around 69.95 at the end of the equity day.

The Ibis-indicated poat bourse close of 2,158.07 betrayed no obvious sense of panic. But dealers were wary as turnover came out at DM4.9bn, against DM4.7bn on Monday. Mr Detlev Klug at B Metzler in Frankfurt said German fund managers would be more interested in equities at 2,200 than they were at the present level; in the interim, he said, cash market volume was very low and derivatives trading could have an undue effect on share prices.

Against this background, positive news from Volkswagen on car sales did nothing for the shares, down DM2.50 at DM484.50, while Metallgesellschaft's need for more capital, seen as a major sell signal by Mr Hans Peter Wodniok of Robert Fleming late on Monday, left the MG shares DM16, or 8 per cent, lower at DM184.

PARIS was more sensitive than Frankfurt to the drop in German bonds, but it lost further ground towards the close on news that the chairman of St Gobain, Mr Jean-Louis Beffa, was being questioned by an investigating judge.

The CAC-40 index fell 36.75, or 1.8 per cent, to 1,961.45 in turnover of FFr2.7bn. St Gobain was the most heavily traded stock as it fell FFr28, or 4.2 per cent, to FFr638. Axa was involved in corporate deals in Belgium and Hong Kong, but analysts said its fall of FFr9.70, or 3.8 per cent, to FFr243.30 was simply a reflection of bond market weakness and its effect on financials.

FT-SE Actuaries Share Indices

Sep 6 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1372.38	1374.09	1374.84	1372.87	1371.63	1370.94	1372.58	1371.03
FT-SE Eurotrack 200	1430.80	1432.96	1434.01	1431.17	1430.78	1430.35	1432.00	1427.57

THE EUROPEAN SERIES

	Sep 5	Sep 2	Sep 1	Aug 31	Aug 30
FT-SE Eurotrack 100	1380.11	1401.88	1398.82	1405.52	1401.90
FT-SE Eurotrack 200	1438.12	1451.57	1450.09	1460.56	1459.43

Base 1000 (26/10/90): High/day: 100 - 1375.52 200 - 1434.58 Low/day: 100 - 1370.16 200 - 1427.57 † Partial

Among other big losers, Dior fell FFr11.80 to FFr434 on talk of an upcoming equity issue and its parent, Bon Marché, suffered even more with a drop of FFr35 to FFr755.

ZURICH paused after its strong run and the SMI index, which had risen by 5.7 per cent over the last fortnight, gave up 22.1 to 2,652.4. Trading was thin in the absence of foreign demand, which had given support in recent days.

Roche certificates remained at the centre of attention, easing SFr60 to SFr6,295. Among the chemicals majors only Sandoz bearers were firmer, adding SFr1 at SFr714; but in the second tier, Ems continued its recent run, climbing SFr20 to SFr4,230.

BBC bearers eased SFr16 to SFr1,181 as analysts said that a presentation on Monday by the ABB chief executive Mr Percy Barnevik had provided no fresh information.

MILAN trimmed early losses as some buying developed at the end of a session weighed upon by fears of a renewed row between the government and the judiciary, and still waiting for action on budget deficit cuts.

The Comit index finished 10.25, or 1.5 per cent, lower at 662.99 after a government spokesman said that a magistrates' plan to speed corruption investigations was unacceptable; but Mr Silvio Berlusconi, the prime minister, gave it a cautious welcome later.

Blue chips were out of favour with foreign investors, while some domestic selling was seen during the session.

Among the heaviest losers, Credito Italiano dropped L60, or 2.8 per cent, to L2,095, while Pirelli was L90, or 2 per cent, off at L4,400.

BCI, under pressure in recent days, managed a L20 gain to L3,570 as its L2,360bn capital increase continued.

AMSTERDAM fell sharply at the close as local investors and options dealers sold heavily, following losses in bonds and other stock markets. The AEX index shed 3.69 to 414.28.

Financials were all weaker, with Ing down Fl 1.80 at Fl 78.40, ABN-Amro by 70 cents at Fl 59.30 and Fortis Amev by 80 cents at Fl 74.00.

Ahold, the food retailer, jumped Fl 1.10 to Fl 48.40 in the wake of its higher second-quarter net profit figures and a forecast of higher full-year profits. Another food company, Nutricia, picked up Fl 2.40 to Fl 89.00 as takeover rumours revived.

Boskalis, the dredging and engineering group, finished 70 cents down at Fl 41.20 after an announcement that its trust group had sold 4.6m ordinary Boskalis shares to ABN-Amro Holding, at Fl 40.80.

The publishers VNU and Wolters Kluwer were both lower, at Fl 193.00, down Fl 4.20, and Fl 119.20, off Fl 2.10, respectively. VNU's loss was attributed to profit-taking.

MADRID added a generalised sense of instability in the financial system to its interest rate fears and the general index fell 4.42, or 1.5 per cent, to 295.08 in turnover of Pta23.9bn.

The obvious targets, interest rate-sensitives such as utilities and banks, were selectively savaged, with Fecsa, Iberdrola and Endesa down by Pta25 to Pta800, Pta30 to Pta823 and Pta150 to Pta5,300, and Bankinter and Popular off Pta400 and Pta390 respectively to Pta11,300 and Pta14,350.

WARSAW, where the Wig index was above 20,000 in March, fell below the 10,000 level, the key index losing 851.8, or 8.2 per cent, at 9,565.4 following more evidence of hostilities between Poland's finance minister, Mr Grzegorz Kolodko, and its central bank president, Ms Hanna Gronkiewicz Waltz.

Written and edited by William Cochrane and Michael Morgan

ASIA PACIFIC

Nikkei continues easier as Seoul rises to year's high

Tokyo

Investors focused on the listing of Japan Telecom and the release of the Bank of Japan's tankan, or quarterly survey on business sentiment, and share prices lost marginal ground in low volume, *writes Emiko Terazono in Tokyo.*

The Nikkei 225 average lost 15.20 at 20,393.98. It saw a day's low of 20,331.37, just before the listing of Japan Telecom on the second section, but rose to a high of 20,529.71 after JT fetched an initial trading price of Y4.7m, its public offering price.

Japan Telecom ended its first day at Y4.65m after reaching a high of Y4.98m in the morning session. The stock became the first privatisation offering to close lower than its public offering price.

Buying by banks and investment trusts supported equities in tbe afternoon, but many investors remained inactive ahead of the tankan release. The survey failed to affect share prices as it revealed that negative sentiment among large companies was easing, matching expectations.

Volume totalled 225m shares, against 272m. The Topix index of all first section stocks dipped 5.31 to 1,613.15 and the Nikkei 300 shed 1.20 to 293.87. Declines led gains by 646 to 311, with 222 issues unchanged. The ISE-Nikkei 50 index eased 3.73 to 1,309.65.

Telecommunications-linked stocks were lower, dragged down by JT. Nippon Telegraph and Telephone fell Y13,000 to Y893,000 and DDI Y23,000 to Y948,000. Kyocera, DDI's leading shareholder, slipped Y10 to Y7,360 and East Japan Railway, a leading shareholder of JT, receded Y8,000 to Y513,000.

Steelmakers continued to meet profit-taking. Nippon Steel, the day's most active issue, declined Y5 to Y372.

The rise of the yen above the Y99 level to the dollar hurt high-technology issues, Fujitsu declining Y10 to Y1,080. Some defied the trend, Sony firming Y50 to Y5,950 and TDK Y30 to Y4,390.

Fujitsu General, a home electronics maker, advanced Y26 to Y877 on expectations of higher profits thanks to demand for its air conditioners and refrigerators prompted by the summer's heat.

In Osaka, the OSE average relinquished 83.02 to 22,635.29 in volume of 26.1m shares.

Roundup

Strong performance emerged in some Asian Pacific markets. Karachi was closed for a national holiday.

SEOUL saw a persistent rally in primary blue chips, aided by liquid institutions, lift the market to its high for the year, although other issues remained weak on swift profit-taking. The composite index put on 7.89 at 977.50, surpassing the previous peak of 974.26 on February 2.

Samsung Electronics posted a record high, gaining Won3,000 at Won135,000. Both Posco and Kepco – heavily weighted in the index – went the day's limit up, adding Won2,500 and Won1,000 at Won38,700 and Won30,200 respectively. Petrochemicals, papers and financials lost momentum on profit-taking following recent sharp gains.

Brokers said that the central bank's easing of monetary policy ahead of Chusok holidays, which fall from September 19 to 21, boosted investor sentiment. An official at the central bank said that about Won3,000bn would be released before that time.

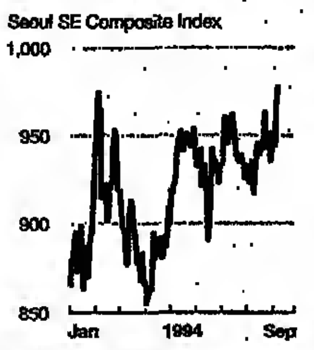
SHANGHAI's A share index rose a further 7.0 per cent, smashing through resistance at 1,000 points in record turnover of Yn16.37bn. The index surged 68.45 to 1,041.94, with blue chip issues based in the Pudong development leading the market rise.

Shanghai's B share index rose 1.39 to 83.27 in response to the A market climb. In Shenzhen, the A index gained 18.65, or 8.8 per cent, at 231.27 but the B index lost 0.59 at 231.27.

COLOMBO jumped 3.0 per cent amid growing optimism over political developments, the all-share index ending 32.27 up at 1,114.75 as volume increased to 233.5m shares from Monday's 151m.

KUALA LUMPUR was higher as retail investors demonstrated their continued confidence in the market. The composite index added 12.73, or 1.1 per cent, at 1,172.24 in turnover of 434.1m shares.

South Korea



Source: FT Graphite

Selangor Properties rose 34 cents to M$3.82 as investors speculated on a reverse takeover of the company.

HONG KONG encountered late bargain hunting which erased early losses and pushed the Hang Seng index back above 10,000. It was finally up 73.93 at 10,035.97 as turnover dwindled to HK$3.57bn in the absence of US investors.

Most blue chips benefited from the late purchases, Sun Hung Kai Properties gaining HK$1.25 at HK$57.75.

Demand for China-owned stocks or H shares intensified, sending the H share index ahead 17.73, or 1.3 per cent, to 1,399.35.

SINGAPORE received a last-minute boost from a late push in Keppel after an otherwise quiet day. The Straits Times Industrial index ended 10.49 up at 2,338.55 and Keppel put on 40 cents at S$11.90.

BANGKOK fluctuated throughout the day to close slightly higher on buying of small, cheap stocks. The SET index firmed 3.84 to 1,535.14 in moderate turnover of Bt9.14bn.

The communications sector was firm as Shinawatra Satellite, which said it was to launch another satellite to widen its service area on October 4, appreciated Bt6 to Bt123.

TAIPEI ended weaker after institutional investors sold electronics and plastics issues, but financials posted minor gains. The weighted index shed 35.85 to 6,830.47 in thin turnover of T$57.03bn.

MANILA slid at the close as investors sold heavily to position themselves for the much awaited listing of Petron Corp shares today, but brokers said selected second-liners cushioned the fall. The composite index retreated 17.82 to 3,086.48, pulled down by declines in many blue chips.

SYDNEY was higher in thin trade following Monday's holiday closure of Wall Street. The All Ordinaries index moved forward 8.2 to 2,103.6.

Dealers said that the stronger tone of the market was partly due to technical factors, with bargain hunters targeting stocks that had been sold lower in the previous two sessions.

WELLINGTON was dominated by trading in Telecom, which accounted for nearly one-half of the market's NZ$48.4m turnover.

Telecom's 5-cent rise to NZ$5.39, on strong US demand, was also mainly responsible for the NZSE-40 index remaining in positive territory, up 2.71 at 2,179.22.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	MONDAY SEPTEMBER 5 1994 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	FRIDAY SEPTEMBER 2 1994 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (68)	176.86	-1.0	169.38	110.96	142.86	159.07	-0.8	3.47	178.68	171.47	112.26	144.93	160.03	189.16	139.24	142.31
Austria (17)	195.33	0.1	187.07	122.54	157.77	157.67	-0.3	1.01	195.06	187.20	122.55	158.22	159.12	195.41	164.84	177.24
Belgium (37)	178.63	-0.2	169.17	110.81	142.67	139.45	-0.7	3.96	177.04	169.90	111.23	143.60	140.36	177.04	143.82	150.96
Canada (104)	135.80	0.1	130.07	85.20	109.70	134.21	0.0	2.50	135.60	130.13	85.18	109.98	134.21	145.31	120.54	126.84
Denmark (33)	258.33	0.5	247.42	162.07	208.67	215.33	-0.1	1.38	257.07	246.71	161.52	208.52	215.58	275.79	223.94	229.97
Finland (24)	178.00	-0.7	170.48	111.87	143.78	188.83	-0.5	0.74	179.30	172.07	112.65	145.44	189.84	179.30	104.28	106.18
France (97)	174.73	-0.5	167.35	109.62	141.14	145.90	-1.0	3.02	175.57	168.49	110.31	142.41	147.34	186.37	159.34	169.10
Germany (58)	148.50	-0.7	142.22	93.16	118.95	118.95	-1.1	1.72	149.54	143.51	93.96	121.30	121.30	149.54	124.39	128.77
Hong Kong (56)	406.82	0.6	389.64	255.23	328.62	403.63	0.8	3.03	404.39	388.09	254.08	328.02	401.18	506.56	292.08	296.44
Ireland (14)	216.13	0.5	207.00	135.59	174.58	198.77	0.5	3.18	214.99	206.33	135.06	174.39	197.79	218.13	161.54	171.79
Italy (59)	81.95	-1.7	78.49	51.41	66.20	96.12	-1.9	1.62	83.33	79.97	52.36	67.60	98.01	97.78	57.88	77.75
Japan (469)	162.74	-1.3	155.86	102.10	131.45	102.10	-1.4	0.75	164.89	158.25	103.60	133.75	103.60	170.10	124.54	160.70
Malaysia (97)	563.51	-0.4	539.71	353.53	455.18	553.85	-0.4	1.50	565.85	543.04	355.52	458.99	556.04	621.63	392.03	405.72
Mexico (18)	2239.91	-0.5	2145.27	1405.26	1809.28	8262.53	-0.6	1.61	2251.68	2160.87	1414.70	1828.39	8332.18	2647.06	1815.11	1762.28
Netherland (27)	218.18	0.1	208.98	136.89	176.25	173.81	-0.3	3.30	217.87	209.09	136.69	176.73	174.07	218.19	180.25	185.56
New Zealand (14)	75.50	-0.2	72.31	47.37	60.99	66.44	0.1	3.60	75.63	72.58	47.52	61.35	66.36	77.59	58.22	60.73
Norway (23)	205.91	-1.0	197.21	129.18	166.33	190.58	-1.3	1.73	207.95	199.56	130.65	168.67	193.17	211.74	165.52	176.85
Singapore (44)	368.17	0.2	352.61	230.96	297.39	254.45	0.2	1.66	367.33	352.52	230.79	297.96	253.88	378.92	285.31	289.98
South Africa (58)	308.11	1.0	235.09	193.30	248.87	304.73	0.8	2.08	305.12	292.81	191.70	247.49	302.44	308.11	175.93	168.18
Spain (42)	138.80	-1.2	132.94	87.08	112.12	135.87	-1.5	4.24	140.47	134.81	88.26	113.94	187.92	155.79	128.66	138.43
Sweden (36)	220.90	-2.6	211.57	138.59	178.44	251.02	-2.3	1.59	226.80	217.66	142.50	183.97	256.92	231.35	175.83	168.20
Switzerland (47)	167.18	0.4	160.11	104.88	135.04	135.37	0.0	1.79	166.46	159.75	104.59	135.02	135.35	176.56	135.70	138.04
United Kingdom (204)	204.86	0.7	196.01	128.40	165.32	196.01	0.5	3.86	203.16	194.97	127.65	164.79	194.87	214.96	181.11	190.09
USA (517)	192.21	0.0	184.09	120.58	155.25	192.21	0.0	2.82	192.21	184.46	120.76	155.90	192.21	196.04	178.95	188.56
EUROPE (718)	175.89	-0.1	168.46	110.35	142.08	157.39	-0.4	2.95	176.01	168.91	110.56	142.76	157.98	176.58	153.96	158.89
Nordic (116)	218.18	-1.5	208.96	136.88	176.23	211.02	-1.4	1.40	221.44	212.51	139.18	179.62	214.10	222.03	173.18	178.24
Pacific Basin (748)	172.77	-1.1	165.47	108.39	139.56	113.32	-1.2	1.06	174.72	167.68	109.78	141.73	114.72	176.66	134.79	164.56
Euro-Pacific (1466)	173.96	-0.7	166.61	109.14	140.51	130.80	-0.8	1.87	175.14	168.07	110.04	142.06	131.94	175.14	143.88	162.12
North America (621)	188.70	0.0	180.73	118.39	152.43	188.21	0.0	2.80	188.69	181.08	118.55	153.05	188.21	192.73	175.67	184.75
Europe Ex. UK (514)	156.73	-0.5	150.11	98.33	126.60	135.01	-0.9	2.40	157.58	151.22	99.01	127.82	136.25	158.12	134.97	139.10
Pacific Ex. Japan (279)	269.70	-0.1	258.31	169.20	217.86	240.12	0.0	2.79	270.05	259.18	169.67	218.05	240.10	298.21	200.18	202.85
World Ex. US (1647)	176.55	-0.6	169.13	110.14	141.80	134.58	-0.8	1.89	176.65	169.52	110.98	143.28	136.88	176.65	145.58	162.18
World Ex. UK (1960)	177.65	-0.5	170.14	111.45	143.48	148.21	-0.6	2.03	178.59	171.39	112.20	144.85	149.17	178.59	155.96	168.00
World Ex. So. Af. (2105)	179.22	-0.4	171.65	112.44	144.77	151.35	-0.5	2.21	179.96	172.72	113.08	145.99	152.17	180.03	158.54	169.98
World Ex. Japan (1695)	191.28	0.0	183.20	120.00	154.51	182.14	-0.1	2.82	191.32	183.60	120.20	155.18	182.38	195.20	174.04	176.95
The World Index (2164)	180.03	-0.4	172.42	112.95	145.42	152.47	-0.5	2.21	180.76	173.47	113.57	146.62	153.27	180.80	158.85	169.96

Latest prices were unavailable for this edition. Markets closed 5/9/94: Canada and USA.